Stock Code: 4960

Chimei Materials Technology Corp.

2017 Annual Report

Prepared by Chimei Materials Technology Corp.

Published on May 5, 2018

You may view the annual report at the following site:
(1) M.O.P.S. designated by the competent authority: http://mops.twse.com.tw/
(2) the Company’s website: www.cmmt.com.tw

1. Spokesman and Deputy Spokesman of the Company:

   Spokesman of the Company:
   Name: Wei-Chung Wang
   Job title: Administration Assistant Vice president and CFO
   Email: cmmt_ir@cmmt.com.tw
   Deputy Spokesperson of the Company:
   Name: Xu, Shi-En
   Job title: Finance and Accounting, Assistant Manager
   Tel. No.: (06)5889988
   Email: cmmt_ir@cmmt.com.tw

2. Address and telephone number of the headquarters, factory and branch:

   Headquarters and factory: No.13, Muzhagang W. Rd., Shanhua Dist., Tainan City 741, Taiwan (R.O.C.)
   Tel. No.: (06)5889988

3. Stock Transfer Agency and Contact Info.:

   Name: Shareholders Service Dept., Taishin International Bank
   Address: B1, No.96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City 10489, Taiwan (R.O.C.)
   Phone: (02)2504-8125
   Website: http://www.taishinbank.com.tw

4. Name, Firm Name, Address, Website and Tel. No. of independent auditor Certifying Financial Statements of Most Recent Year

   Firm name: Deloitte and Touche
   Name of independent auditor: Ming-Hui Chen, CPA and Shu-Jie Huang, CPA
   Address: 6F, 2 Prosperity Road 1, Hsinchu Science Park, Hsinchu City
   Tel. No.: (03)578-0899
   Website: www.deloitte.com.tw

5. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on the offshore securities:

   Security Name: Global Depositary Receipts, GDR
   Singapore Exchange Ltd.: http://www.sgx.com

6. Company’s website:

   www.cmmt.com.tw

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I. 2017 Business Report

(I) Business plan implementation outcome

Due to the impact of the market demand on the LCD industry in 2017, the price of polarizers plunged and the market sales continued to bear great pressure from the price reduction. Accordingly, although the Company's operating revenues from polarizers in 2017 increased slightly in comparison to that in 2016, the Company still realized a loss in 2017 due to the overall competition of the polarizer market.

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

Unit: NT$ 1,000 dollars; %

Item	2017	2016	Increase (decrease) change ratio (%)
Operating revenue	11,440,772	10,374,172	10.28
Gross profit or loss	-749,112	-796,755	5.98
Net operating income or loss	-1,671,123	-1,606,238	-4.04
Net loss in 2017	-1,550,026	-1,483,862	-4.46
Gross loss ratio	-7%	-8%	25
Net operating income or loss ratio	-14%	-16%	12.5

Unit: NT$ 1,000

Item			2017	2016
Financial structure analysis	Debt to asset ratio (%)		43.38	36.90
	Long term fund to property, plant and equipment ratio (%)		118.90	134.85
Solvency structure analysis	Rate of return on total assets (%)		-6.56	-7.86
	Return on equity (%)		-11.80	-11.44
Profitability analysis	Ratio To paid-in capital (%)	Net income or loss before tax	-25.28	-29.93
	Dead loss ratio (%)		-13.55	-14.3
	Earnings or Losses Per Share (dollars)		-2.18	-2.88

The annual net revenues of the Company in 2017 was NT$ 11.4 billion, an increase of 10.28% when compared with the previous year, and the annual net loss is NT$ 1.55 billion, which accounts for approximately -13.5% of the revenues and a decrease of 4.46% when compared with the previous year. Total asset value reached NT$ 23.46 billion, and the debt to total asset ratio is 43.38%; the overall financial structure is acceptable.

(III) Production and research and development status

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

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

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

(IV) External competitive environment, regulatory environment and overall business environment

The key raw materials of polarizer are still under the control of Japanese manufacturers such that there is a concern on the limitation due to the upstream suppliers, and the price negotiation of polarizer manufacturers on the purchase of the materials is still restricted. In recent years, the Chinese manufacturers also actively enter into this field, and their technologies and the type of applications still require further developments.

In 2017, new LCD production capacities were developed continuously in Mainland China, creating huge market opportunities for polarizer manufacturers.

II. Domestic and international market plan

(I) Operating principle and production and sale policy

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

(II) Expected sales volume

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

III. Company future development strategy

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

Chairman Jau-Yang Ho

President Jau-Yang Ho

Accounting Supervisor Wei-Huang Yu

Date: March 19, 2018

II. Company profile

1. Date of incorporation: May 17, 2005
2. Company history:

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

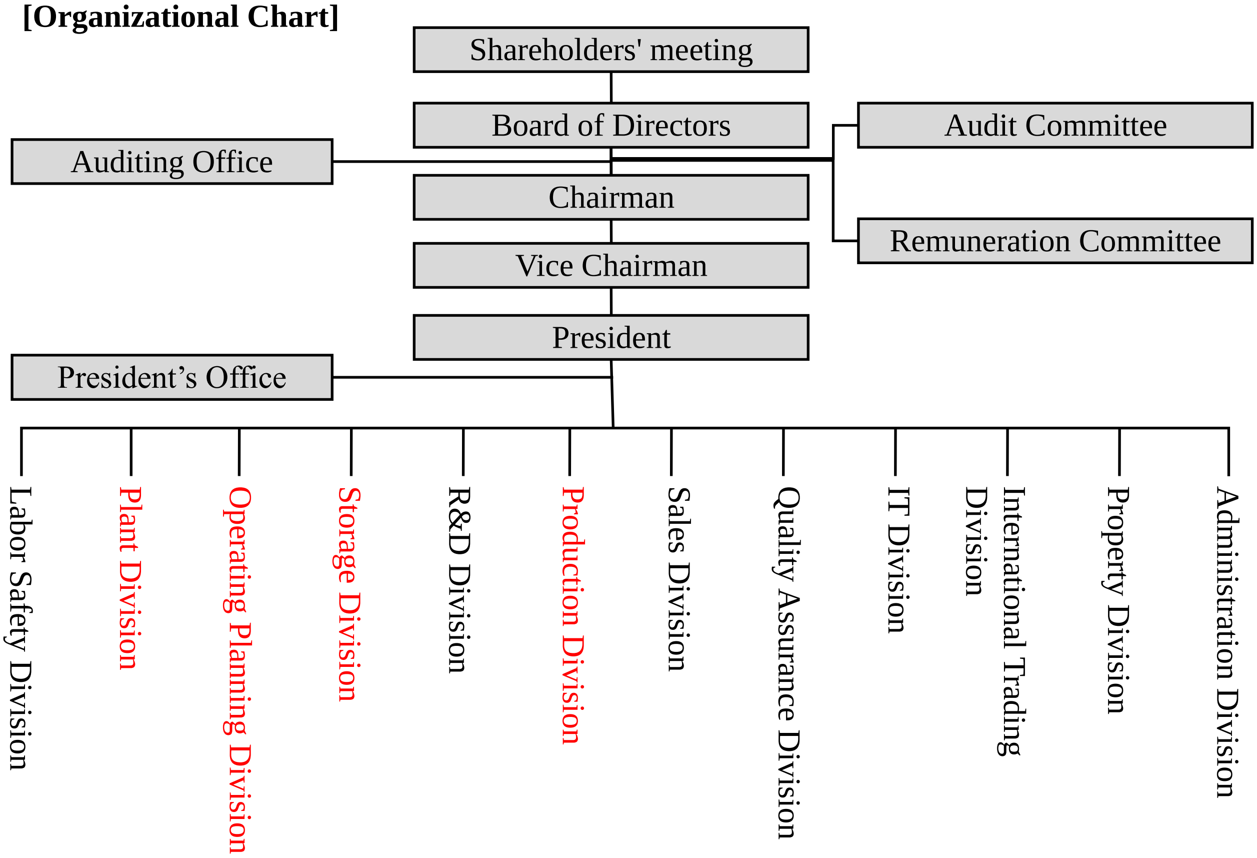
August 2010	Registration of trading of emerging stock
September 2010	Incorporated CHIMEI VISUAL TECHNOLOGY CORPORATION (September 10, 2010), with the paid-in capital in the amount of NT$25,500 thousand, a company wholly invested in by Chimei Materials Technology Corp.
December 2010	Installation of machine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

III. Corporate governance report

1. Organization:

(1) Organizational structure:

[Organizational Chart]



(2) Operations by department:

Date of data: May 5, 2018

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

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

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

1. Information about directors(including independent directors):

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

Title	Nationality or place of registration	Name	Gender	Date elected / appointed	Term	First Elected Date	Shareholding as of elected date		Current shareholding		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements	Concurrent positions in the Company and other companies	Spouse or relatives of second degree or closer acting as other supervisors, directors or independent directors		
							shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholdings ratio			Job title	Name	Relationship
Chairman	R.O.C.	Jau-Yang Ho	Male	2017.06.21 (Note)	3	November 25, 2011	350,906	0.07%	350,906	0.05%	109,548	0.02%	0	0%	National Cheng Kung University Bachelor, Department of Chemical Engineering President of Chimei Corporation Vice Chairman of Chimei Optoelectronics Corporation	(1) Chairman of Chi Mei Visual Technology Corporation (2) Chairman of Kunshan Chi Mei Materials Technology Corporation (3) Executive Director of Chi Mei Materials Technology Investment Co., Ltd. (4) Chairman of Chi Tasi Investment Co., Ltd. (5) Director of Chi Tasi Trading Co., Ltd. (6) Executive Director of Chi Mei Materials Technology Corporation (Samoa) Corporation (7)Executive Director of Chimei Materials Technology Corp. (Ningbo)	N/A	N/A	N/A
Vice Chairman	R.O.C.	Chun-Hsiung Chen	Male	2017.06.21 (Note)	3	2016.06.20	0	0%	0	0%	0	0%	0	0%	Yuan Ze University Master, Department of Chemical Engineering Koatech Technology Corporation Special Assistant to President Wei-Jing Optoelectronic Technology Co.,Ltd Special Assistant to CEO Advisor of Shenzhen Sunnypol Optoelectronics Co., Ltd Advisor of Chimei Materials Technology Corp.	(1) General Manager of Wellshine Technology Co., Ltd.- Taiwan Branch (2) Director of Jingmao International Trading Company (3) Director of Chimei Materials Technology Corp. (Kunshan)	N/A	N/A	N/A
Director	R.O.C.	Chi-Pan Liang	Male	2017.06.21 (Note)	3	2016.06.20	0	0%	0	0%	0	0%	0	0%	U.S. Massachusetts Institute of Technology Master, Department of Computers Manager of Human Resource Department of Digiwin Software Co., Ltd. Manager of Human Resource Department of Digiwin Software Co., Ltd. Audit Assistant Vice President of Advanced Flexible Circuits Co., Ltd. Assistant Vice President Senior Secretary of Central Personnel Administration	(1) Director of Ruijing Technology Consultant Corp.	N/A	N/A	N/A
Independent Director	R.O.C.	Lai-Huang Lo	Male	2017.06.21 (Note)	3	2017.06.21	0	0%	0	0%	0	0%	0	0%	U.K. University of Manchester Master of Business Administration Anderson Industrial Corp. Vice President of operation in the Europe and Americas E-Ton Solar Tech Co., Ltd. Vice President and CFO BNP Paribas Taipei Branch Executive Director Executive Director of Bank of America Taipei Branch	N/A	N/A	N/A	N/A
Independent Director	R.O.C.	Wei-Ting Liu	Male	2017.06.21 (Note)	3	2017.02.08	0	0%	0	0%	0	0%	0	0%	Master, Department of Law of Graduate School of National Chung Cheng University Doctoral candidate pf Beijing University of Political Science and Law Level Four Special Civil Service Examination for judiciary Court clerk of Shihlin District Court, Taiwan	(1) Supervisor of Dongchang Chemical Corp. (2) Director of Liqin International Consultant Corp. (3) Arbitrator of R.O.C. Arbitration Association (4) Patent & Trademark Attorney (5) Attorney, President of Taipei Law Firm	N/A	N/A	N/A

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

2. Major shareholders of corporate shareholders: not applicable

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

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

May 5, 2018

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

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

(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of the Company's affiliates (excluding the capacity of independent director appointed by the Company, its parent company or subsidiaries pursuant to the Law or the local laws).
(3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.
(4) Not a spouse, relative within a second degree of kinship, or lineal relative within the third degree of kinship, or a person in compliance with any of the preceding three sub-paragraphs.
(5) Not a director (including independent director) or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that holds shares ranking within the top five in holdings.
(6) Not a director, independent director (supervisor), manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual who, as an owner, partner, director, independent director (supervisor), or manager of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or the spouse thereof. Notwithstanding, this shall not apply to the remuneration committee members who exercise their powers in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
(8) Not a spouse to or a relative of second degree or closer under the Civil Code to any other director.
(9) Not under any circumstances as noted in Article 30 of Company Law.
(10) No government agency, juristic person or its representative is elected under Article 27 of the Company .

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

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

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

Title	Nationality	Name	Gender	Date elected / appointed	Shares held		Shares held by spouse and minor children		Shares held by proxy		Major career (academic) achievements	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Acquisition of employee stock warrants by managers
					Shares (shares)	Shareholding ratio	Shares (shares)	Shareholding ratio	Shares (shares)	Shareholding ratio			Job title	Name	Relationship	
Chairman, concurrently holding the position of President	R.O.C.	Jau-Yang Ho	Male	September 1, 2011	350,906	0.05%	109,548	0.02%	0	0%	National Cheng Kung University Bachelor, Department of Chemical Engineering President of Chimei Corporation Vice Chairman of Chimei Optoelectronics Corporation	(1) Chairman of Chi Mei Visual Technology Corporation (2) Chairman of Kunshan Chi Mei Materials Technology Corporation (3) Executive Director of Chi Mei Materials Technology Investment Co., Ltd. (4) Chairman of Chi Tasi Investment Co., Ltd. (5) Chairman of Chi Tasi Trading Co., Ltd. (6) Executive Director of Chi Mei Materials Technology Corporation (Samoa) Corporation (7) Executive Director of Chimei Materials Technology Corp. (Ningbo)	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Chien-Chih Wang	Male	November 2, 2017	274,456	0.04%	1,000	0%	0	0%	National Taipei University of Science and Technology Bachelor, Department of Chemical Engineering Senior Special Assistant of Chimei Corporation	(1) Director of Chi Mei Visual Technology Corporation (2) Director of Chi Tasi Trading Co., Ltd. (3) Director of Chimei Materials Investment Corp.	N/A	N/A	N/A	N/A
Assistant Vice President and Supervisor of Financial Accounting	R.O.C.	Wei-Chung Wang (Note 1)	Male	March 19, 2018	0	0%	0	0%	0	0%	Bachelor of Business Administration, National Central University CFO of ELTA Technology Co., Ltd. Vice Financial President of TPV Technology Limited Vice President of Financial Accounting Dept., Cheng Uei Precision Industry Co., Ltd.	(1) Supervisor of Chimei Materials Technology Corp. (Kunshan) (2) Supervisor of Chimei Materials Technology Corp. (Ningbo) (3) Supervisor of Chimei Visual Technology Corp.	N/A	N/A	N/A	N/A
Assistant Vice President	R.O.C.	Wan-Yang Li	Male	August 10, 2016	112,085	0.02%	3,150	0%	0	0%	Doctor, Institute of EO Engineering of National Chiao Tung University Manager of Chimei Optoelectronics Corporation	(1) Vice President of Chimei Visual Technology Corp. (2) Director of Chimei Materials Investment Corp. (3) Associate Professor of National Chiao Tung University/Institute of EO Engineering /Institute of Imaging and Biomedical Photonics (4) Associate Professor of National Cheng Kung University/Institute of Electro-Optical Science and Engineering	N/A	N/A	N/A	N/A

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

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

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

1. Remuneration to directors (including independent directors):

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

Job title	Name	Directors' remuneration								Sum of A, B, C and D as a percentage of after-tax loss (Note 10) (%)		Remuneration received as an employee concurrently								The sum of A, B, C, D, E, F, and G as a percentage of after-tax loss (Note 10)		Remuneration from invested businesses other than the subsidiaries (Note 11)
		Remuneration (A) (Note 1)		Pension (B)		Remuneration to directors (C) (Note 2)		Fees for services rendered (D) (Note 4)				Salaries, bonuses and special allowances, etc. (E) (Note 5)		Pension (F)		Remuneration to employees (G) (Note 6)						
		The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company		All companies included in the financial statements (Note 7)		The Company	All companies included in the financial statements (Note 7)	
																Amount of cash	Amount of stock	Amount of cash	Amount of stock			
Chairman	Jau-Yang Ho	45	45	0	0	0	0	0	0	0.0037	0.0037	4,461	4,461	0	0	0	0	0	0	0.3675	0.3675	0
Vice Chairman	Chun-Hsiung Chen	45	45	0	0	0	0	4	4	0.0040	0.0040	2,328	2,328	0	0	0	0	0	0	0.1938	0.1938	0
Director	Chi Mei Corporation Representative of the Company Long-Jun Lin (Note 11)	30	30	0	0	0	0	0	0	0.0024	0.0024	0	0	0	0	0	0	0	0	0.0024	0.0024	0
Director	Chi-Pan Liang	400	400	0	0	0	0	28	28	0.0349	0.0349	0	0	0	0	0	0	0	0	0.0349	0.0349	0
Independent Director	Lai-Huang Lo	345	345	0	0	0	0	15	15	0.0294	0.0294	0	0	0	0	0	0	0	0	0.0294	0.0294	0
Independent Director	Wei-Ting Liu	587	587	0	0	0	0	19	19	0.0494	0.0494	0	0	0	0	0	0	0	0	0.0494	0.0494	0
Independent Director	Hsiao-Ken Chuang (Note 12)	338	338	0	0	0	0	5	5	0.0280	0.0280	0	0	0	0	0	0	0	0	0.0280	0.0280	0
Director	Chi Mei Corporation Representative of the Company Chun-Hua Hsu (Note 13)	10	10	0	0	0	0	0	0	0.0008	0.0008	0	0	0	0	0	0	0	0	0.0008	0.0008	0

Job title	Name	Directors' remuneration: Remuneration (A) (Note 1): The Company	Remuneration (A) (Note 1): All companies included in the financial statements (Note 6)	Pension (B): The Company	Pension (B): All companies included in the financial statements (Note 6)	Remuneration to directors (C) (Note 2): The Company	Remuneration to directors (C) (Note 2): All companies included in the financial statements (Note 6)	Fees for services rendered (D) (Note 3): The Company	Fees for services rendered (D) (Note 3): All companies included in the financial statements (Note 6)	Sum of A, B, C and D as a percentage of after-tax loss (Note 9) (%): The Company	Sum of A, B, C and D as a percentage of after-tax loss (Note 9) (%): All companies included in the financial statements (Note 6)	Remuneration received as an employee concurrently: Salaries, bonuses and special allowances, etc. (E) (Note 4): The Company	Salaries, bonuses and special allowances, etc. (E) (Note 4): All companies included in the financial statements (Note 6)	Pension (F): The Company	Pension (F): All companies included in the financial statements (Note 6)	Remuneration to employees (G) (Note 5): The Company: Amount of cash	Remuneration to employees (G) (Note 5): The Company: Amount of stock	Remuneration to employees (G) (Note 5): All companies included in the financial statements (Note 6): Amount of cash	Remuneration to employees (G) (Note 5): All companies included in the financial statements (Note 6): Amount of stock	The sum of A, B, C, D, E, F, and G as a percentage of after-tax loss (Note 9) (%): The Company	The sum of A, B, C, D, E, F, and G as a percentage of after-tax loss (Note 9) (%): All companies included in the financial statements (Note 6)	Remuneration from invested businesses other than the subsidiaries (Note 10)
Senior Managing Director	Yi-Pan Liang (Note 13)	20	20	0	0	0	0	0	0	0.0016	0.0016	2,114	2,114	54	54	0	0	0	0	0.1784	0.1784	0
Independent Director	Xian-Lan Lin (Note 13)	324	324	0	0	0	0	20	20	0.0281	0.0281	0	0	0	0	0	0	0	0	0.0281	0.0281	0
Independent Director	Sheng-Yen Chang (Note 13)	325	325	0	0	0	0	1	1	0.0266	0.0266	0	0	0	0	0	0	0	0	0.0266	0.0266	0
Total		2,469	2,469	0	0	0	0	92	92	0.2088	0.2088	8,903	8,556	54	54	0	0	0	0	0.9393	0.9393	0

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

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

Date of data: December 31, 2017

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

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

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

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

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

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

Note 6: Please disclose the total amount of remuneration paid by all companies covered by the consolidated financial statements (including the Company) to the Company's directors.
Note 7: The total amount of remuneration made by the Company to each director whose name should be disclosed in the breakdown of remuneration.
Note 8: Please disclose the total amount of remuneration paid by all companies covered by the consolidated financial statements (including the Company) to the Company's directors and directors' names in the breakdown of remuneration.
Note 9: The after-tax profit refers to the amount of profit for the most recent year, provided that where IFRSs are adopted, the after-tax profit shall refer to the amount of profit shown in the latest individual or separate financial report.
Note 10: a. This section shall state all forms of remuneration that the Director has received from the Company's invested businesses other than subsidiaries.
b. For directors who receive remuneration from invested businesses other than the subsidiaries, the amount of remuneration from these invested businesses should be added to column I in the table of remuneration ranges and please change the column heading into "All invested businesses" in such cases.
c. The remuneration refers to any returns, compensation (including remuneration to employees, directors and supervisors) and professional fees, etc. which the Company's presidents and vice presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.
Note 11: The representative of Chimei Corporation, Mr. Long-Jun Lin, resigned on November 9, 2017 due to operation strategy.
Note 12: Independent director Mr. Hsiao-Ken Chuang resigned on March 19, 2018 due to personal health reason.
Note 13: Representative of Chimei Corporation, Mr. Chun-Hua Hsu, Mr. Yi-Pan Liang, Mr. Xian-Lan Lin, and Mr. Sheng-Yen Chang were dismissed after the resolution of the general shareholders' meeting on June 21, 2017 on the re-election of all directors.
* The remuneration disclosed in this table is different from the income concept of the Income Tax Act, and thus this table is only for information disclosure but not for taxation.

3. Remuneration to presidents and vice presidents:

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

Job title (Note 1)	Name	Salary (A) (Note 2)		Pension (B)		Bonus and special allowances , etc. (C) (Note 3)		Remuneration to employees (D) (Note 4)				Sum of A, B, C and D as a percentage of after-tax loss (%) (Note 8) (Note 13)		Remuneration from invested businesses other than the subsidiaries (Note 9)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Amount of cash	Amount of stock	Amount of cash	Amount of stock			
Chairman and also President	Jau-Yang Ho	5,705	5,705	0	0	3,663	3,663	0	0	0	0	0.7639	0.7639	0
Executive Vice President	Chien-Chih Wang (Note 10)													
Vice President	Chien-Chih Wang (Note 10)													
Vice President	Wen-Feng Guo (Note 11)													

4. Breakdown of remuneration to presidents and vice presidents

Date of data: December 31, 2017

Breakdown of remuneration to each of the Company's presidents and vice presidents	Name of President and Vice President	
	The Company (Note 6)	All companies listed in the financial statements (Note 7) E
Less than NT$2,000,000	Wen-Feng Guo (Note 11)	Wen-Feng Guo (Note 11)
NT$2,000,000 (inclusive)~NT$5,000,000 (exclusive)	Jau-Yang Ho and Chien-Chih Wang (Note 10)	Jau-Yang Ho and Chien-Chih Wang (Note 10)
NT$5,000,000 (inclusive)~NT$10,000,000 (exclusive)	N/A	N/A
NT$10,000,000 (inclusive)~NT$15,000,000 (exclusive)	N/A	N/A
NT$15,000,000 (inclusive)~NT$30,000,000 (exclusive)	N/A	N/A
NT$30,000,000 (inclusive)~NT$50,000,000 (exclusive)	N/A	N/A
NT$50,000,000 (inclusive)~NT$100,000,000 (exclusive)	N/A	N/A
NT$100,000,000 and above	N/A	N/A
Total	3	3

5. The names and remuneration of the managers who received employee remuneration in the most recent year There was a net loss before tax in 2017, and the remuneration of employees, directors and supervisors have not been recognized. Thus it is not applicable here.

Note 1: Presidents' and vice presidents' names should be presented separately; the amount of benefits and allowances can be presented in aggregate sums.
Note 2: It refers to the salaries, allowances and severance pay to presidents and vice presidents in the most recent year.
Note 3: It refers to the bonuses, incentives, transportation allowance, special allowance, subsidies, accommodation, corporate vehicle and other compensation to presidents and vice presidents in the most recent year. Where housing, cars, vehicles or personal allowances were granted, please describe the nature and cost of assets, the rental rates (calculated based on the actual or fair value), cost of petrol and other subsidies. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above beneficiaries. Meanwhile, the salaries recognized under IFRS 2 "Share-Based Payment," including shares subscribed for upon acquisition of employee stock warrants and new restricted employee shares and participation in capital increase in cash, should also be included into the remuneration.
Note 4: It refers to any employees' remuneration which the presidents and vice presidents have received (in cash or in shares) in the most recent year. If the amount could not be estimated, please use last year's payout ratio instead. Please also complete Table 6. The after-tax profit refers to the amount of profit for the most recent year, provided that where IFRSs are adopted, the after-tax profit shall refer to the amount of profit shown in the latest individual or separate financial report.
Note 5: Please disclose the total amount of remuneration paid by all companies covered by the consolidated financial statements (including the Company) to the Company's presidents and vice presidents.
Note 6: The total amount of remuneration made by the Company to each president or vice president whose name should be disclosed in the breakdown of remuneration.
Note 7: Please disclose the total amount of remuneration paid by all companies covered by the consolidated financial statements (including the Company) to each of the Company's presidents and vice presidents, and each president's and vice president's names in the breakdown of remuneration.
Note 8: The after-tax profit refers to the amount of profit for the most recent year, provided that where IFRSs are adopted, the after-tax profit shall refer to the amount of profit shown in the latest individual or separate financial report.
Note 9: a. This section shall state all forms of remuneration that the president and vice presidents received from the Company's invested businesses other than subsidiaries.
b. For the Company's presidents and vice presidents who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column I of the breakdown of remuneration, and please change
c. The remuneration refers to any returns, compensation (including remuneration to employees, directors and supervisors) and professional fees etc. which the Company's presidents and vice presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.
Note 10: Due to the change of organizational management on November 2, 2017, he was transferred from the position of Executive Vice President to Vice President.
Note 11: Resigned on April 6, 2017.
Note 12: The Company reported the after-tax loss in the individual financial statement upon the final annual closing (NT$ thousand): NT$ 1,226,260,335

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

1. The remuneration to the Company's independent directors was paid according to the amended "Directors' Remuneration Payment Standards" approved by the Board of Directors on December 24, 2013.
The increase in the percentage of total remuneration to directors paid by the Company for the most recent two years (2016~2017) is stated as follows:
Since there was a net loss after tax in 2016 and 2017 and the remuneration of directors and employees and earnings have not been distributed. Thus, it is not applicable here.

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

2. The policies, standards, combinations, procedure of decision-making of remuneration to the Company's directors, presidents and vice presidents and their relation with the operating performance:

The remuneration to the Company's directors is based on the regulations specified in the Articles of Incorporation and the level of participation and the value of contributions to the Company operations in line with industry standards. If the Company retains earnings at the end of the fiscal year, after appropriations are made for losses and payments made into the statutory reserve or special reserve, allocation of preferred stock dividends and remuneration to employees, the board of directors shall submit a proposal for the distribution of the remaining amount, including remuneration to directors, based on the industrial environment and the Company's funding needs, and subject to the approval of a shareholders' meeting. Given the net loss NT$ 1,226,260,335 in 2017, the Audit Committee and Board of Directors resolved on May 4, 2018 that no remuneration to directors and employees or earnings would be distributed this year, and the resolution was submitted to the general shareholders' meeting for ratification.

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

3. Correlation with future risk exposure:

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

4. Status of corporate governance:

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

1. Operations of the Board of Directors

(1). The directors were re-elected at the general shareholders' meeting on June 21, 2017. The board members' term of office commenced from June 21, 2017 until June 20, 2020.

(2).From 2017 until the date of publication of the annual report in 2018, the Board has held 11 meetings (A: A total of 9 meetings in 2017, and a total of 2 meetings in 2018), and the attendance of directors is specified as following:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) 【B/A】	Date of actual attendance	Remarks
Chairman	Jau-Yang Ho	11	0	100%	2017: 1/10;2/20;3/31;5/3;6/21;6/30; 8/11;11/2;12/20 2018: 3/19,5/4	The directors were re-elected on June 21, 2017. The elected directors and Chairman have held the position until now.
Vice Chairman	Chun-Hsiung Chen	11	0	100%	2017: 1/10;2/20;3/31;5/3;6/21;6/30; 8/11;11/2;12/20 2018: 3/19,5/4	The directors were re-elected on June 21, 2017, and have held the position until now.
Director	Representative of Chimei Corporation: Chun-Hua Hsu	2	2	50%	2017: 3/31;5/3 (Note: 1/10;2/20 attendance by proxy)	Dismissed upon the directors' re-election on June 21, 2017 (Note: the required attendance times shall be 4.)
Director	Representative of Chimei Corporation: Long-Jun Lin	6	2	75%	2017: 1/10;2/20;3/31;5/3;6/21;11/2; (Note: 6/30;8/11 attendance by proxy)	Was elected as a director on June 21, 2017, but resigned on November 9, 2017 due to operating strategy. (Note: the required attendance times shall be 8.)
Senior Managing Director	Yi-Pan Liang	4	0	100%	2017: 1/10;2/20;3/31;5/3	Dismissed upon the directors' re-election on June 21, 2017 (Note: the required attendance times shall be 4.)
Director	Chi-Pan Liang	10	1	91%	2017: 1/10;2/20;3/31;6/21;6/30; 8/11;11/2;12/20 (Note: 5/3 attendance by proxy). 2018: 3/19,5/4	The directors were re-elected on June 21, 2017, and have held the position until now.

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) 【B/A】	Date of actual attendance	Remarks
Independent Director	Xian-Lan Lin	4	0	100%	2017: 1/10;2/20;3/31;5/3	Dismissed upon the directors' re-election on June 21, 2017 (Note: the required attendance times shall be 4.)
Independent Director	Sheng-Yen Chang	4	0	100%	2017: 1/10;2/20;3/31;5/3	Dismissed upon the directors' re-election on June 21, 2017 (Note: the required attendance times shall be 4.)
Independent Director	Wei-Ting Liu	9	1	90%	2017: 3/31;6/21;6/30;8/11;11/2; 12/20 (Note: 2/20,5/3 attendance by proxy) 2018: 3/19,5/4	Has held the independent director position until now after June 21, 2017. (Note: the required attendance times shall be 10.)
Independent Director	Hsiao-Ken Chuang	5	1	83%	2017: 6/21;8/11;11/2;12/20 (Note: 6/30 attendance by proxy). 2018: 3/19	Has held the independent director position until now after the re-election of all directors on June 21, 2017, but resigned on March 19, 2018 due to personal health reasons (Note: the required attendance times shall be 6.)
Independent Director	Lai-Huang Lo	7	0	100%	2017: 6/21;6/30;8/11;11/2;12/20 2018: 3/19,5/4	Has held the independent director position until now after the re-election of all directors on June 21, 2017. (Note: the required attendance times shall be 7.)

Other notes:

1. If the circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing exist, the dates of meetings, sessions, contents of motions, all independent opinions, and the Company's response to the independent directors' opinions should be specified: Total 11 meetings of the BOD were held in the period from 2017 to the date of the annual report printed, all the resolutions please refer the Page 40 to Page 41 and there is no independent opinions remained of the meeting.
2. The actions of the directors with respect to the avoidance of conflict of interest shall be disclosed including the name of the director, the matter, the reasons for the avoidance and the voting and attendance status.

Date of the Board Meeting	Name of Director	Motion content	Reasons for avoidance	Voting and attendance status
February 20, 2017. the 7th of the 5th term	Chairman Jau-Yang Ho and Director Yi-Pan Liang	Motion 5: Discussion of the motion for "2016 Insider Salary, Raise and Bonus and Remuneration System"	Chairman Jau-Yang Ho and Director Yi-Pan Liang concurrently serve as the Company's managers, and thus left temporarily due to the interest avoidance of related parties in accordance with Article 178 of the Company Act.	did not participate in voting
February 20, 2017. the 7th of the 5th term	Chairman Jau-Yang Ho and Director Yi-Pan Liang	Motion 6: Discussion of the motion for "2017 Insider Salary, Raise and Bonus & Remuneration System"	Chairman Jau-Yang Ho concurrently serves as the Company's managers, and thus left temporarily due to the interest avoidance of related party in accordance with Article 178 of the Company Act.	did not participate in voting
May 3, 2017. the 9th of the 5th term	Corporate director: Representative of Chimei Corporation, Director Chun-Hua Hsu and Director Long-Jun Lin	Motion 7: The motion for the Company to execute the disgorgement against "Corporate Director: Chimei Corporation"	Corporate director: Representative of Chimei Corporation, Director Chun-Hua Hsu and Director Long-Jun Lin left temporarily due to the interest avoidance of related parties in accordance with Article 178 of the Company Act.	did not participate in voting
November 2, 2017. the 3rd of the 6th term	Chairman Jau-Yang Ho and Director Chun-Hsiung Chen	Motion 6: The motion of suggesting adjustment to the wage of Chairman and Vice Chairman	Chairman Jau-Yang Ho and Director Chun-Hsiung Chen concurrently serve as the Company's managers, and thus left temporarily due to the interest avoidance of related parties in accordance with Article 178 of the Company Act.	did not participate in voting

3. Measures undertaken during the current year and the past year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation.
   1. In order to satisfy the spirit of corporate governance, the Company established the Audit Committee on October 8, 2010, whose authorization is defined in the Securities and Exchange Act, Company Act and other laws and regulations. For the operation of the Audit Committee, please refer to p.20 of the annual report.
   2. The Company set up the Remuneration Committee on April 26, 2011, which assists the Board of Directors in periodical evaluation, decides the wage and remuneration of directors and managers, and conducts periodical examination on the remuneration policy, system, standard and structure of directors and managers. For the operation of the Remuneration Committee, please refer to p.31 of the annual report.
   3. The Company re-elected all directors on the general shareholders meeting on June 21, 2017, among which 7 directors were elected (including 3 independent directors) to strengthen the career function of the Board of Directors and corporate governance.
   4. Board members continue to take courses that are not of their profession annually, including corporate governance related issues of financial, risk management, business, commercial, legal affairs, accounting and corporate social responsibility, or internal control system and financial report responsibility, in order to enhance the Board members' recognition and implementation of corporate governance. For the continuing education of the Board members and their annual performance self-evaluation, please refer to p.26~p.30 of the annual report.

2. Operations of the shareholders' meeting

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

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

①. Attendance by directors:

Job title	Name	Actual attendance	Remarks
Chairman	Jau-Yang Ho	1	1st special shareholders' meeting on February 8, 2017
Vice Chairman	Chun-Hsiung Chen	1	
Director	Chimei Corporation Representative: Chun-Hua Xiu	0	
Director	Chimei Corporation Representative: Jong-Chun Lin	1	
Director	Yi-Pan Liang	1	
Director	Chi-Pan Liang	0	
Independent Director	Xian-Lan Lin	1	
Independent Director	Sheng-Yen Chang	1	

②.1 Summary of the important motions resolved in the first special shareholders' meeting on February 8, 2017:

<table>
<tr><th>Serial No.</th><th>Motion</th><th colspan="3">Summary of resolutions on important motions</th></tr>
<tr><td rowspan="6">1</td><td rowspan="6">Motion for amendments to the "Articles of Incorporation"</td><td colspan="3">●Proposal was approved after voting.</td></tr>
<tr><td colspan="3">Approval votes: 189,468,291</td></tr>
<tr><td colspan="3">Disapproval votes: 35,940</td></tr>
<tr><td colspan="3">Invalid votes: 0</td></tr>
<tr><td colspan="3">Abstention votes/no votes: 85,602,118</td></tr>
<tr><td colspan="3">Total votes: 275,106,349</td></tr>
<tr><td rowspan="6">2</td><td rowspan="6">The proposal for the Company in capital increase through cash injection to issue common shares and to issue overseas deposit receipt certificates (DRC).</td><td colspan="3">●Proposal was approved after voting.</td></tr>
<tr><td colspan="3">Approval votes: 166,261,018</td></tr>
<tr><td colspan="3">Disapproval votes: 23,092,437</td></tr>
<tr><td colspan="3">Invalid votes: 117,776</td></tr>
<tr><td colspan="3">Abstention votes/no votes: 85,635,118</td></tr>
<tr><td colspan="3">Total votes: 275,106,349</td></tr>
<tr><td rowspan="3">3</td><td colspan="4">Motion for reelection of one independent director</td></tr>
<tr><td>Job title</td><td>Chinese name</td><td>English name</td><td>Elected votes</td></tr>
<tr><td>Independent Director</td><td>劉韋廷</td><td>WEI-TING LIU</td><td>189,110,137</td></tr>
<tr><td rowspan="6">4</td><td rowspan="6">Removal of competition restraints on new Director</td><td colspan="3">●Proposal was approved after voting.</td></tr>
<tr><td colspan="3">Approval votes: 189,465,110</td></tr>
<tr><td colspan="3">Disapproval votes: 39,121</td></tr>
<tr><td colspan="3">Invalid votes: 0</td></tr>
<tr><td colspan="3">Abstention votes/no votes: 85,602,118</td></tr>
<tr><td colspan="3">Total votes: 275,106,349</td></tr>
</table>

(2). General shareholders' meeting on June 21, 2017

①. Attendance by directors:

Job title	Name	Actual attendance	Remarks
Chairman	Jau-Yang Ho	1	General shareholders' meeting on June 21, 2017
Director	Chun-Hsiung Chen	1	
Director	Representative of Chimei Corporation: Long-Jun Lin	1	
Director	Chi-Pan Liang	1	
Independent Director	Xian-Lan Lin	1	
Independent Director	Wei-Ting Liu	0	

②. Summary of the important motions resolved in the general shareholders' meeting in 2017:

Serial No.	Motion	Summary of resolutions on important motions		
1	Complete re-election of Directors			
	Job title	Chinese name	English name	Elected votes
	Director	何昭陽	JAU-YANG HO	257,377,214
	Director	陳俊雄	CHUN-HSIUNG CHEN	256,241,572
	Director	林榮俊	JUNG- CHUN LIN	254,783,948
	Director	梁基磐	CHI-PAN LIANG	254,775,374
	Independent Director	羅來煌	LAI-HUANG LO	248,878,278
	Independent Director	劉韋廷	WEI-TING LIU	250,018,405
	Independent Director	莊孝根	HSIAO-KEN CHUANG	248,554,706
2	The motion for 2016 Business Report and Financial Statements	●Proposal was approved after voting.		
		Approval votes: 255,461,044		
		Disapproval votes: 675,453		
		Invalid votes: 0		
		Abstention votes/no votes: 75,373,231		
		Total votes: 331,509,728		
3	The motion for 2016 earnings distribution	●Proposal was approved after voting.		
		Approval votes: 255,389,045		
		Disapproval votes: 714,453		
		Invalid votes: 0		
		Abstention votes/no votes: 75,406,230		
		Total votes: 331,509,728		
4	The motion for removing competition restraints on new director and his/her representative	●Proposal was approved after voting.		
		Approval votes: 253,115,989		
		Disapproval votes: 697,296		
		Invalid votes: 0		
		Abstention votes/no votes: 77,696,443		
		Total votes: 331,509,728		
5	The motion for amendments to the "Procedures for Handling Acquisition and Disposal of Assets"	●Proposal was approved after voting.		
		Approval votes: 255,438,045		
		Disapproval votes: 678,454		
		Invalid votes: 0		
		Abstention votes/no votes: 75,393,229		
		Total votes: 331,509,728		

(3). "Status of earnings distribution in 2016" resolved by the general shareholders' meeting in 2017: Not distributed and thus is not applicable here.

▲(2) Operation of Audit Committee:

1. The Company's Audit Committee has two members.
2. Term of office held by the current committee member:
   The term of office of the 4th Audit Committee members commenced from June 21, 2017 to June 20, 2020.
3. There were 9 audit committee meetings in the most recent year (A: 7 in 2017, and 2 in 2018 until the date on which the annual report was printed). The attendance records of the independent directors are as follows:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) 【B/A】	Date of actual attendance and remarks
Independent Director	Xian-Lan Lin	3	0	100%	2017: :2/20;3/31 ;5/3 (Note: was dismissed after the re-election of all directors on June 21, 2017. The required attendance times shall be 3.)
Independent Director	Sheng-Yen Chang	3	0	100%	2017: :2/20;3/31 ;5/3 (Note: was dismissed after the re-election of all directors on June 21, 2017. The required attendance times shall be 3.)
Independent Director (Note 1)	Wei-Ting Liu	7	2	78%	2017: 3/31;6/30;8/11;11/2;12/20 (Note: 2/20,5/3 attendance by proxy) 2018: 3/19;5/4
Independent Director (Note 1)	Lai-Huang Lo	6	0	100%	2017:6/30;8/11;11/2;12/20 (Note: the required attendance times shall be 4.) 2018: 3/19;5/4
Independent Director (Note 1, 2)	Hsiao-Ken Chuang	4	1	80%	2017: 8/11;11/2;12/20 (Note: 6/30; attendance by proxy. The required attendance times shall be 4.) 2018: 3/19 (Note: the required attendance times shall be 1.)

Other notes:

1. For the items listed in Article 14-5 of the Securities and Exchange Act: Please refer to the section of "4. Important resolutions by the Board of Directors on the status of corporate governance" (p.44~p.45) in the annual report, which were all agreed to by at least one half of the Audit Committee members, submitted for resolution to the Board of Directors and passed. There are no circumstances that were not passed by the Audit Committee but were approved by over two thirds of all directors.
2. The actions of the independent directors with respect to the avoidance of conflict of interest should be disclosed including the name of the independent director, the matter, the reasons for the avoidance and the voting and attendance status.
   Note: None. The motions submitted at the Audit Committee meeting were free from any circumstances for which the independent directors should avoid the conflict of interest.
3. Status of independent directors' communication with the internal audit supervisor and certified public accountants (which shall include communication matters, methods and results concerning corporate finances and business, etc.):
   Note: Status of independent directors' communication with the internal audit supervisor: The communication is conducted anytime via telephone, email and meeting to fulfill the obligation to report and illustrate the results, which is considered fair.

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

Note 2: Was dismissed on March 19, 2018 due to personal health reasons. The new director will be re-elected in the 2018 Shareholders Meeting.

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

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

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

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

<table>
<tr><th rowspan="2">Assessment criteria</th><th colspan="3">Operation</th><th rowspan="2">Difference from corporate governance practice principles for TWSE/GTSM-Listed companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>*8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee interest and right, employee care, investor relations, supplier relations, stakeholders' rights, continuing education of directors and independent directors, implementation of risk management policies and risk evaluation standards, implementation of customer policy, and insuring against liabilities of the Company’s directors and independent directors)?</td><td>V</td><td></td><td>(1) The Company’s information is transparent all the time, which may be accessed on the M.O.P.S., the Company’s website and annual reports. The Company’s website has also set up the “Investor Relations,” “Social Responsibility” and “Stakeholder” sections.
(2) The Company will also call the investor conference periodically pursuant to the laws, and send the press release about important events, if any, to the media to help shareholders have a better understanding of the Company’s corporate governance practices.</td><td>There was no significant discrepancy.

There was no significant discrepancy.</td></tr>
<tr><td colspan="5">*9. Please state the corrective actions already taken and also propose the matters to be improved as the first priority and countermeasures against them, based on the corporate governance evaluation results released by the Corporate Governance Center of TWSE in the most recent year.
1. The Company’s corporate governance ranking range in the most recent year (the 4th term, 2017) was 36%~50%. The original English-version publication, financial reports and important messages, etc. that are about the unimproved matters were published simultaneously or within the required period since September 2017. The Corporate Social Responsibility Report has also been uploaded on December 27, 2017.
2. Matters and measures to be strengthened with priority: In order to strengthen corporate governance, the Board of Directors passed the nomination of a female director candidate on May 4, 2018. However, it is waiting for approval by the 2018 General Shareholders’ Meeting.</td></tr>
</table>

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

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

(5). Number of employees and employee welfare expenses in 2017:

Until 2017 and Dec. 31, 2016, the Company has hired 1,134 employees and 1,272 employees, respectively.

2017

Unit: NT$ thousand

Item	Operating cost	Operating expenses	Total
Employee welfare expenses			
Salary expenses	719,627	159,295	878,922
Labor and health insurance expenses	66,475	12,831	79,306
Pension expenses	35,658	6,858	42,516
Other employee welfare expenses	50,127	11,217	61,344
Total	871,887	190,201	1,062,088
Depreciation expense	516,507	40,657	557,164
Amortization expenses	3,738	16,739	20,477

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

(1) The continuing education and training in 2017 are implemented in the following manner:

Training category	Total sessions (session)	Attendances (person)	Total hours (hr)
Professional curriculum and others	84	417	230
Health and Safety	18	268	363.5
Law education	5	62	25
Management skills	1	1	6
Total	108	748	624.5

(2). Retirement system and implementation thereof:

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

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

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

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

I. Employee's individual account of labor pension:

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

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

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

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

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

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

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

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

6. Status of continuing education

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

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

Job title	Name	Date of continuing education		Organizer	Course name	Hours of continuing education
		Begin	End			
Director	Jau-Yang Ho	November 2, 2017	November 2, 2017	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		August 11, 2017	August 11, 2017	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3
Director	Chun-Hsiung Chen	November 2, 2017	November 2, 2017	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3

Job title	Name	Date of continuing education		Organizer	Course name	Hours of continuing education
		Begin	End			
		August 11, 2017	August 11, 2017	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3
Director	Chi Mei Corporation Representative of the Company Long-Jun Lin (Note)	November 2, 2017	November 2, 2017	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		August 11, 2017	August 11, 2017	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3
Director	Chi-Pan Liang	November 2, 2017	November 2, 2017	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		August 11, 2017	August 11, 2017	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3
Independent Director	Wei-Ting Liu	November 2, 2017	November 2, 2017	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		August 29, 2017	August 30, 2017	Securities and Futures Institute	Practice course for (independent) directors and supervisors-Taipei class	12
Independent Director	Lai-Huang Lo	November 2, 2017	November 2, 2017	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		August 11, 2017	August 11, 2017	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3
Independent Director	Hsiao-Ken Chuang (Note)	November 2, 2017	November 2, 2017	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		September 26, 2017	September 27, 2017	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	12
		August 29, 2017	August 30, 2017	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3

Note: Director Chimei Corporation and its Representative, Mr. Long-Jun Lin, resigned on November 9, 2017 due to operation strategy. Independent director Mr. Hsiao-Ken Chuang resigned on March 19, 2018 due to personal health reason.

7. Disclose the Company's personnel related to financial transparency:
   2017 accounting supervisors: Obtained the qualification of "continuing education course for accounting supervisors"
8. Implementation of risk management policy and risk measurement standards:
   The Company has established the internal control system, internal audit system, self-evaluation procedure, and various management regulations or operating procedures which serve to be the risk management policy and risk measurement criteria followed by the Company's units and audit unit when they are carrying out the operations mentioned above.
9. Status of consumers protection or customers' policy:
   In order to take care of the omnibus service and protection for customers, the Company will immediately communicate with the customers who file a complaint to verify their needs and facilitate the interactive effect between the Company and customers. The Company will also review and improve the defect at its production and marketing meeting and quality control meeting.
10. Purchase of liability insurance by the Company for directors and independent directors:
    The Company has continued to purchase liability insurance for its directors and independent directors each year since 2011 until now, and also disclosed it on the M.O.P.S., and reported it to the board meeting on March 19, 2018.
11. Communication between the independent directors, head of internal audit and independent auditor:
    (1). Prepare the "summarization of audit report" and submit the same, together with a copy of the audit report, to each audit committee member for review, on a monthly basis.
    (2). Should the audit committee member have any question or instruction upon reviewing the audit report, he/she will call the head of audit for consultation or instruction.
    (3). Each audit report shall follow up the improvement of deficiency in internal control and extraordinary circumstances after 3 months, and compile and submit the follow-up report to each audit committee member.

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

12. If the Company conducts a corporate governance self-evaluation report or commissions a professional organization to compile a corporate governance assessment report, the results of self-evaluation (or commissioned evaluation), major deficiencies (or suggestions), and improvements should be stated:
(1) The Company will complete the corporate governance self-evaluation report pursuant to the operating procedures of Corporate Governance Center of Securities and Futures Institute (and upload the report in the following manner) periodically each year: The Company's website (www.cmmt.com.tw) Investors Relations→Important Financial Information and News, and no material deficiencies were found in the disclosure at M.O.P.S.
(2) In March 2018, the Company completed the Company's "Self-Evaluation or Peer Evaluation of the Board of Directors" pursuant to the letter under Tai-Cheng-Chi-Li No. 103210464:
a. Self-evaluation of the Board of Directors (functional committees) of Chimei Materials Technology Corp. 2017:

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

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

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

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

b. The performance evaluation of the directors of Chimei Materials Technology Corp. in 2017 and self-evaluation:

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

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

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

※Notes to Chairman's evaluation:

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

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

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

Date: May 5, 2018

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

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

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

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. Excluding the capacity of independent director appointed by the Company or its parent company or subsidiaries pursuant to the Law or the local laws.

(3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.

(4) Not a spouse, relative within a second degree of kinship, or lineal relative within the third degree of kinship of a person in compliance with any of the preceding three subparagraphs.

(5) Not a director (including independent director) or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that holds shares ranking within the top five in holdings.

(6) Not a director, independent director (supervisor), manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual who, as an owner, partner, director, independent director (supervisor), or manager of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or the spouse thereof.

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

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

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

4. Information about operations of Remuneration Committee:

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

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

①. According to the Articles of Association of Remuneration Committee, the committee member's term of office is identical with that to be held by the Board of Directors of the same term. The board meeting resolved to approve the motion for appointment of the 4th Remuneration Committee members on June 21, 2017.

②. During 2017 up to the date on which the annual report was printed, the members of Remuneration Committee were assumed by Mr. Lai-Huang Lo and Mr. Mr. Wei-Ting Liu, and the convener was assumed by Independent Director Lai-Huang Lo.

③. The term of office of the 4th RemunerationCommittee members commenced from June 21, 2017 to June 20, 2020.

(3). There were 6 Remuneration Committee meetings (A: 4 in 2017; 2 in 2018 up to the date of publication of the annual report) in the most recent year, and the committee member qualifications and attendance records are as follows:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Note
Convener	Lai-Huang Lo (Note 1)	4	0	100%	2017: 11/2;12/20 (Note: the required attendance times shall be 2.) 2018: 3/19;5/4
Member	Wei-Ting Liu	5	0	83.3%	2017: 3/22;11/2;12/20 2018: 3/19;5/4
Member	Hsiao-Ken Chuang (Note 1, 2)	3	0	100%	2017: 11/2;12/20 2018: 3/19 (Note: the required attendance times shall be 1.)
Member	Xian-Lan Lin (Note 3)	1	1	50%	2017: 2/3 (Note: 3/22 attendance by proxy, and the required attendance times shall be 2.)
Member	Sheng-Yen Chang (Note 3)	2	0	100%	2017: 2/3;3/22 (Note: the required attendance times shall be 2.)
Other notes: 1. If the Board of Directors does not adopt or amend, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions (if the remuneration approved by the Board of Directors is superior than that suggested by the Remuneration Committee, please specify the discrepancy and reason): none. 2. For resolution(s) made by the Remuneration Committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: None.					

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

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

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

▲(5) Fulfillment of corporate social responsibility:

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

Updating date: March 19, 2018

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

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

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

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

Updating date: March 19, 2018

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

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

<table>
<tr><td rowspan="2">Item</td><td colspan="3">Operation (Note 1)</td><td rowspan="2">Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary description</td></tr>
<tr><td>3. Status of the Company's systems
1. Whether or not the Company has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?

(2) Has the Company implemented any standard procedures or confidentiality measures for handling reported malpractices?
(3) Does the Company assure malpractice reporters that they will not be mistreated for making such reports?</td><td>V

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

▲(7) Access to the Company's Corporate Governance Best-Practice Principles and related regulations: The related regulations established by the Company with respect to corporate governance, including "Corporate Governance Best-Practice Principles," "Corporate Social Responsibility Best-Practice Principles," "Operating Procedure for Transactions with Group Members, Specific Companies and Stakeholders," "Parliamentary Rules for Shareholders' Meetings," "Code of Conduct for Directors (Including Independent Directors) and Managers," "Rules Governing Independent Directors' Responsibility,," "Parliamentary Rules for Board Meetings," "Articles of Association of Audit Committee", "Code of Conduct for Employees," "Operating Procedure for Processing of Internal Important Information," "Ethical Corporate Management Best-Practice Principles," "Guidelines for Business Operation and Behavior with Integrity," "Employees' Written Undertaking of Integrity," "Suppliers' Statement of Declaration for Ethical Conduct" and "Supplier's Written Undertaking of Social Responsibility and Ethics," etc., which are disclosed on the "Corporate Social Responsibility" page of the Company's website.

▲(8) Other information enabling better understanding of the status of the Company's corporate governance: none.

▲(9) Implementation of internal control system:

1. Statement of internal control system: Please see p.40.
2. If an independent auditor is retained to audit the Company's internal control system, please disclose the audit report made by the independent auditor: None.

Chimei Materials Technology Corp.

Statement of the Internal Control System

Date: March 19, 2018

Based on the results of self-assessment, the Company states the following with regard to its internal control system for the year of 2017:

1. The Company is fully aware that the establishment, operations and maintenance of an internal control system is the responsibility of the Board of Directors and management. The Company has established such a system. It aimed at providing reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations (including profitability, performance, and the safeguard of assets), reliability, timeliness and transparency of reporting, and compliance with all the applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, it can only provide some reasonable assurance of the accomplishment of the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control System by Public Companies” (herein below, the “Regulations”). The criteria adopted by the “Regulations” identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the “Regulations” for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the findings of the evaluation mentioned above, the Company believes that, on December 31, 2017 (Note 2), its internal control system (including the supervision on and management of subsidiaries), as well as the design and operations of internal control systems for understanding its operational effectiveness and efficiency, the achievement level of objectives, reliability, timeliness, transparency and regulatory compliance in reporting, and compliance with the applicable laws and regulations, were effective, and the Company can provide reasonable assurance that the above-stated objectives would be achieved.

   This Statement will be an integral part of the Company’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment or other illegality of contents made public will entail legal liabilities under Articles 20, 32, 171,and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Company’s Board of Directors on March 19, 2018, with none of the 6 attending directors expressing dissenting opinions and the remainder all affirmed the contents of this Statement.

Chimei Materials Technology Corp.

Chairman: signature/seal

President: signature/seal

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

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

No.	Date	Summary of Motion	Meeting Name	With independent directors voicing opposing or qualified opinions
1	January 10, 2017	1 Motion for "Review on Independent Directors' Qualifications" 2 Amendments to matters related to the 1st special shareholders' meeting on 2017	Board of Directors	N/A
2	February 8, 2017	Election Matters 1 Motion for reelection of one independent director Discussion 1 the motion for amendments to the "Articles of Incorporation" 2 The proposal for the Company in capital increase through cash injection to issue common shares and to issue overseas deposit receipt certificates (DRC). 3 Removal of competition restraints on new Director	Special shareholders' meeting	Not applicable
3	February 20, 2017	1 Adoption of the "2016 Business Report and Financial Statements Prepared by the Company Independently" 2 Adoption of the motion for "Appointment of Independent Auditors 2017" 3 Discussion of the evaluation on independent auditors' independence 4 Adoption of the motion for "2016 Earnings Distribution" 5 Discussion of the motion for "2016 Insider Salary, Raise and Bonus and Remuneration System" 6 The motion for establishment of the "2017 Insider Salary, Raise and Bonus and Remuneration System" 7 Adoption of the motion for "2017 Business Plan" 8 Adoption of the motion for "2016 Statement of Internal Control System" 9 Adoption of the motion for "appointment of Remuneration Committee members" 10 Adoption of the motion for "appointment of chief accountants, financial officers and spokesperson and deputy spokesperson" 11 Adoption of the motion for "Application for Bank Facility" 12 The motion for capital increase through cash injection to issue common shares and to issue overseas deposit receipt certificates (DRC)"	Board of Directors	N/A
4	March 31, 2017	1 Complete the re-election of directors. 2 Adoption of the motion for nominating director candidates by the Board of Directors 3 The motion for removal of competition restraints on new director and his/her representative 4 The motion for amendments to the "Guidelines for Business Operation and Behavior with Integrity". 5 The motion for amendments to the "Procedures for Handling 6 Acquisition and Disposal of Assets" Motion for establishment of the "Regulations Governing Employees' Subscription for Stocks" 7 Matters related to the general shareholders' meeting 2017	Board of Directors	
5	May 3, 2017	1 Adoption of the "2017 Q1 Financial Statements Prepared by the Company Independently" 2 Adoption of the motion for "Review on Director Candidates' Qualification" 3 Adoption of the motion for "appointing auditing supervisor" 4 The motion for amendments to "Internal Control System" 5 Adoption of the motion for "change in organizational chart and amendment to level of authority" 6 Adoption of the motion for "Application for Bank Facility" 7 The motion for the Company to execute the disgorgement against "Corporate Director: Chimei Corporation"	Board of Directors	N/A
6	June 21, 2017	Election Matters 1 Complete the re-election of directors. Proposals and Discussion 1 Recognized the motion of 2016 Business Report and Financial Statements. 2 Recognized the motion for 2016 earnings distribution. 3 Adoption of the motion for removing competition restraints on new director and his/her representative 4 Adoption of the motion for amending "Procedures for Handling Acquisition and Disposal of Assets"	Shareholders' meeting	Not applicable
7	June 21, 2017	1 The motion of electing Chairman and Vice Chairman	Board of Directors	N/A
8	June 30, 2017	1 Adoption of the motion for "change in organizational chart and amendment to level of authority" 2 Adoption of the motion for amending "Internal Control System" 3 Adoption of the motion for "terminating the commission of chief business supervisor"	Board of Directors	N/A

No.	Date	Summary of Motion	Meeting Name	With independent directors voicing opposing or qualified opinions
		4 Adoption of the motion for appointing the 4th Remuneration Committee members 5 Adoption of the motion for removing competition restraints on managers		
9	August 11, 2017	1 Adoption of the motion for the “2017 Q2 Consolidated Financial Statements Prepared by the Company Independently” 2 Adoption of the motion for “Application for Bank Facility”	Board of Directors	N/A
10	November 2, 2017	1 Adoption of the “2017 Q3 Consolidated Financial Statements Prepared by the Company Independently” 2 Adoption of the motion for “Application for Bank Facility” 3 Adoption of the motion for “change in organizational chart and amendment to level of authority” 4 Adoption of the motion for “Adjustment to Professional Manager’s Position of the Company” 5 Adoption of the motion for signing with Nitto Denko Corporation for the cooperative project of the Polarizer Technology License 6 Adoption of the motion for suggesting adjustment to the wage of Chairman and Vice Chairman 7 Adoption of the motion for adjusting the Company’s staff wage in 2017	Board of Directors	N/A
11	December 20, 2017	1 Adoption of the motion that the Company’s 100% held overseas subsidiary, Chimei Investment Corp. (Samoa), proposed to invest US$ 73,000,000 (about RMB 0.48 billion) in its 49% held Chimei Materials Technology Corp. (Kunshan) to fulfill operating capital 2 Adoption of the motion for providing endorsements and guarantees to the invested company, Chimei Materials Technology Corp. (Kunshan) 3 Adoption of the motion for bonus distribution in 2017 4 Adoption of the motion for “2018 Budget Operations” 5 Adoption of the motion for “2018 Audit Plan” 6 Adoption of the motion for amending “Internal Control System” 7 Adoption of the motion for amending “Operating Procedure for Processing of Internal Important Information” 8 Adoption of the motion for amending “Articles of Association of Audit Committee” 9 Adoption of the motion for amending “Parliamentary Rules for Board Meetings” 10 Adoption of the motion for amending “Rules for Independent Directors’ Responsibility Scope” 11 Adoption of the motion for changing the independent auditor in 2018 and its evaluation of independence 12 Adoption of the motion for the share disposal of the Company’s 67.14% directly-held overseas investee, Chijin Corporation, and submitted for discussion	Board of Directors	N/A
12	March 19, 2018	1 Adoption of the 2017 Business Report and Financial Statements 2 Adoption of the “2018 Business Plan” 3 Adoption of the “Examination on the Effectiveness of Internal Control System” and “Statement of the Internal Control System” in 2017 4 Adoption of the motion for appointing chief accountants, financial officers and spokesperson & deputy spokesperson 5 Adoption of the motion for discussing “2017 Insider Salary, Raise and Bonus & Remuneration System” 6 Adoption of the motion for establishing “2018 Insider Salary, Raise and Bonus & Remuneration System” 7 Complete the re-election of directors. 8 Adoption of the motion for nominating director candidates by the Board of Directors 9 Adoption of the matters related to 2018 General Shareholders’ Meeting 10 Adoption of the motion for “Application for Bank Facility”	Board of Directors	N/A
13	May 4, 2018	1 Adoption of the “2018 Q1 Consolidated Financial Statements Prepared by the Company Independently” 2 Adoption of the motion for the compensation of profit and loss in 2017 3 Adoption of the motion for Review on Director Candidates’ Qualification 4 Adoption of the removal of competition restraints on new directors 5 Adoption of the motion for the capital increase by issuing common shares in cash and the engagement in issuing Global Depositary Receipts (GDRs) 6 Adoption of the motion for establishing “Strategic Development & Investment Committee” and the appointment of the chairman. 7 Adoption of the motion for removing competition restraints on managers 8 Adoption of the motion for issuing new restricted employees’ shares 9 Adoption of the motion for amending the “Articles of Incorporation” 10 Adoption of the matters related to 2018 General Shareholders’ Meeting	Board of Directors	N/A

▲(12) Recorded or written statements made by any director or independent director who specified dissent to important resolutions passed by the Board of Directors during the most recent year and up to the date of publication of the annual report: none.

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

May 5, 2018

Job title	Name	Date of appointment	Date of discharge/ resignation	Cause of discharge or resignation
Internal audit officer	Hsin-Mao Huang	October 6, 2008	February 3, 2017	Resigned due to personal career planning Mr. Jia-Xin Zheng is now acting as the Company's internal audit officer.
Assistant Vice President and Chief Financial Officer	Wei-Huang Yu	March 1, 2017	February 28, 2018	Resigned due to personal life planning, and Mr. Wei-Chung Wang was assumed to be the Assistant Vice President & Chief Financial Officer.

5. Information about independent auditor:

(1) Information about independent auditor's fees:

1. Independent Auditor's Firm:

Name of CPA Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Ming-Hui Chen	Shu-Jie Huang	Jan. 1, 2017 - Dec. 31, 2017	N/A

2. Independent Auditor's fees:

December 31, 2017; Unit: NT$ Thousand

Name of CPA Firm	**Name of CPA**	**Audit Fee**	**Non-Audit Fee**					**Audit Period**	**Note**
			System Design	Industry and Commerce Registration	Human Resource	others	Sub-total		
Deloitte & Touche	Ming-Hui Chen Shu-Jie Huang	4,600	Not applicable	40	Not applicable	7,186	7,226	Jan. 1, 2017 - Dec. 31, 2017	

3. Ranges of independent auditor's fees:

December 31, 2017; Unit: NT$ Thousand

Amount Range \ **Items**		**Audit Fee**	**Non-Audit Fee**	**Total**
1	Less than NT$2,000 thousand			
2	NT$2,000 thousand (inclusive)~NT$4,000 thousand			
3	NT$4,000 thousand (inclusive)~NT$6,000 thousand	4,600		4,60
4	NT$6,000 thousand (inclusive)~NT$8,000		7,226	7,22
5	NT$8,000 thousand (inclusive)~NT$10,000 thousand			
6	NT$10,000 thousand (inclusive) and above		-	

(2) Disclosure of audit and non-audit fees and the contents of non-audit services, if the non-audit fees paid to the independent auditor, CPA firm and its affiliates represent one fourth (1/4) or more of the audit fees: Non-audit fees, amounting to NT$ 7,226 thousand, mainly comes from the Industry and Commerce Registration fee NT$40 thousand, TP master file NT$ 400 thousand, TP local file NT$ 300 thousand, and issuance of global depositary receipts USD 200 thousand (approx. NT$ 6,486 thousand).

(3) Replacement of the CPA firm and reduction in audit fees paid during the year of replacement compared with the previous year, if any: Not applicable

(4)Reductions in audit fees by more than 15% compared with the previous year: not applicable.

(5)Evaluation on the independent auditor's independence: The Company's Audit Committee evaluates the independent auditor's independence regularly, and reports the evaluation result to the Board of Directors.

6. Information about the replacement of independent auditor: none.

7. Disclosure of any instance of the Company's Chairman, President, and financial or accounting manager having held a position in the CPA firm or its affiliates over the past year: none.

8. Transfer of shareholders' equity and changes in pledge of equity by directors (independent directors), managers, and major shareholders with over 10% shareholding during the most recent year and up to the date of publication of this annual report:

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

Unit: shares

Job title	Name	2017		In the current year up to April 24	
		Shares held Increase (Decrease)	Shares pledged Increase (Decrease)	Shares held Increase (Decrease)	Shares pledged Increase (Decrease)
Chairman	Jau-Yang Ho	0	0	0	0
Vice Chairman	Chun-Hsiung Chen	0	0	0	0
Director (Note 1)	Chimei Corporation	(63,000,000)	0	0	0
Director representative (Note 1)	Jung-Chun Lin	0	0	0	0
Director (Note 2)	Chimei Corporation	(43,000,000)	0	0	0
Director representative (Note 2)	Chun-Hua Hsu	0	0	0	0
Director (Note 2)	Yi-Pan Liang	(60,000)	0	0	0
Director	Chi-Pan Liang	0	0	0	0
President	Jau-Yang Ho	0	0	0	0
Vice President (Note 3)	Wen-Feng Guo	(5,000)	0	0	0
Vice President	Chien-Chih Wang	0	0	(72,000)	0
Assistant Vice President	Wan-Yang Li	0	0	0	0
Major shareholder (Note 4)	Chimei Corporation	(63,000,000)	0	0	0
Independent Director (Note 2)	Xian-Lan Lin	0	0	0	0
Independent Director (Note 2)	Sheng-Yen Chang	0	0	0	0
Independent Director (Note 2)	Wei-Ting Liu	0	0	0	0
Independent Director (Note 2)	Lai-Huang Lo	0	0	0	0
Independent Director (Note 2)	Hsiao-Ken Chuang	0	0	0	0
CFO/Assistant Vice President (Note 5)	Zhong-Nan Tseng	(20,000)	0	Not applicable	Not applicable
CFO/Assistant Vice President (Note 6)	Wei-Huang Yu	0	0	0	0
CFO/Assistant Vice President (Note 7)	Wei-Chung Wang	Not applicable	Not applicable	0	0

Note 1: Resigned the position of corporate director on November 9, 2017 due to the needs for operating strategy planning.
Note 2: The Company's general shareholders' meeting on June 21, 2017 resolved and passed the re-election of all directors. Mr. Jau-Yang Ho, Mr. Chun-Hsiung Chen, Representative of Chimei Corporation, Mr. Long-Jun Lin and Mr. Chi-Pan Liang were elected to be the directors. Mr. Wei-Ting Liu, Mr. Lai-Huang Lo and Mr. Hsiao-Ken Chuang were elected to be the independent directors. However, the original Director, Representative of Chimei Corporation, Mr. Chun-Hua Hsu, Mr. Yi-Pan Liang, Independent Director Mr. Xian-Lan Lin and Mr. Sheng-Yen Chang were dismissed. Independent Director Hsiao-Ken Chuang resigned on March 19, 2018.
Note 3: Resigned on April 6, 2017.
Note 4: Report and disclose the shareholding when dismissing the position of major shareholder as of November 20, 2017.
Note 5: Dismissed of the CFO position on March 1, 2017, and resigned the position of Assistant Vice President on July 1, 2017.
Note 6: Resigned on February 28, 2018.
Note 7: Approved to serve in office by the Board of Directors on March 19, 2018.

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

There are no circumstances that the counterparty of the transfer of shareholders' equity by the Company's directors (independent directors), managers, and major shareholders with over 10% shareholding was the Company's related parties during the most recent year (2017) and up to the date of publication of this annual report.

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

There are no circumstances that the counterparty of the transfer of shareholders' equity by the Company's directors (independent directors), managers, and major shareholders with over 10% shareholding was the Company's related parties during the most recent year (2017) and up to the date of publication of this annual report.

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

April 24, 2018 / Unit: shares

<table>
<tr><th colspan="2" rowspan="2">Name/Company and its representative</th><th colspan="2">Shares held by oneself</th><th colspan="2">Shares held by spouse and minor children</th><th colspan="2">Total shares held by proxy</th><th colspan="2">Disclosure of information on related parties as defined in Statements of Financial Accounting Standards No. 6, or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and relationships</th><th rowspan="2">Remarks</th></tr>
<tr><th>shares</th><th>shareholding ratio</th><th>shares</th><th>shareholding ratio</th><th>shares</th><th>shareholding ratio</th><th>Name (or name)</th><th>Relationship</th></tr>
<tr><td>1</td><td>Depository receipt account of Chimei Materials Technology Corp. in the Bank of New York Mellon</td><td>67,660,280</td><td>10.16%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td rowspan="2">2</td><td>Innolux Corporation</td><td>44,741,305</td><td>6.72%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Representative: Jyh-Chau Wang</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td rowspan="2">3</td><td>Chimei Corporation</td><td>32,170,084</td><td>4.83%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Representative: Chun-Hua Hsu</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>4</td><td>HSBC in custody for Macquarie Bank Limited, London Branch</td><td>25,663,000</td><td>3.85%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>5</td><td>JPMorgan Chase Bank N.A. Taipei Branch in custody for PGIA Total International ETF</td><td>7,000,000</td><td>1.05%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>6</td><td>JPMorgan Chase Bank N.A. Taipei Branch in custody for Tribman Group Vanguard Emerging Markets Stock Index Fund Investment</td><td>4,872,000</td><td>0.73%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td rowspan="2">7</td><td>Formosawine Vintners Corporation</td><td>2,600,000</td><td>0.39%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Representative:Kuei Tseng Wang</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>8</td><td>Qin Lee</td><td>2,500,000</td><td>0.38%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>9</td><td>Jin-Long Xiao</td><td>2,093,850</td><td>0.31%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>10</td><td>Hua-Rong Qiu</td><td>2,062,000</td><td>0.31%</td><td>0</td><td>0.00%</td><td>0</td><td>0.00%</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
</table>

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

(1) Overview of investment plans for the coming year

December 31, 2017; Unit: NT$ thousand; thousand shares

Investees (Name of affiliated company: Note 1)	Main business	Invested shares			Book value (Net worth of equity or market price)	Accounting treatment	Investment return in the most recent year		Holding of own shares	Endorsement/guarantee or financing between the Company and affiliated company, and amount thereof
		Investment cost (Amount)	shares	Shareholding ratio			Investment revenues	Distributed dividends		
Chimei Materials Technology Corp.(Samoa)	Investment and holdings	431,482	13,300	100	830,270	Equity method	(171,831)	N/A	13,300	N/A
Chimei Materials Investment Co., Ltd.	Investment and holdings	2,230,328	73,500	100	1,825,404	Equity method	(304,957)	N/A	73,500	N/A
Chimei Materials Investment Corp.	Investment business	50,000	5,000	100	26,023	Equity method	(3,862)	N/A	5,000	N/A
Chi Tasi Trading Co., Ltd.	Trading business	1,000	100	100	975	Equity method	(25)	N/A	100	N/A
Chimei Visual Technology Corp.	Electronic spare parts manufacturing, optical instruments manufacturing, electronic materials retail and wholesale, et al.	205,000	20,500	68.33	94,399	Equity method	(20,319)	N/A	20,500	N/A
Chimei Materials Technology Corp. (Ningbo) (Note 3)	Polarizer cutting, visual examination and packaging	431,482	N/A	100	846,933	Equity method	(184,585)	N/A	N/A	N/A
Chimei Materials Technology Corp. (Kunshan) (Note 3)	Polarizer-related R&D, manufacturing and sale	2,230,328	N/A	49	1,825,666	Equity method	(304,957)	N/A	N/A	2,814,800
Chimei Materials Investment Co., Ltd. (Kunshan) (Note 4)	Trading of polarizer	N/A	N/A	49	118,931	Equity method	6,528	N/A	N/A	N/A
Chijin Corporation (Note 5)	Trading, buys and sales	-	-	-	-	Equity method	(1,745)	N/A	N/A	N/A

Note 1: The affiliated company refers to the company identified in Article 369-2 and Article 369-3 of the Company Law.
Note 2: Given the limited company, no number of shares is applicable.
Note 3: Invested and held by Chimei Materials Technology Corp.(Samoa).
Note 4: Reinvested and held by Chimei Materials Technology Corp. (Kunshan).
Note 5: The 67.14% directly-held overseas investment was all sold to Hengjie Industrial Co., Ltd. with JP$ 47,000,000 on December 25, 2017.

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

December 31, 2017; Unit: thousand shares; %

Investees	Invested by the Company		Investments by directors, managers, and directly/indirectly controlled entities		Aggregate investment		Via invested subsidiaries
	shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio	
Chimei Materials Technology Corp.(Samoa)	13,300	100%	N/A	N/A	13,300	100%	-
Chimei Visual Technology Corp.	20,500	68.33%	N/A	N/A	20,500	68.33%	-
Chimei Visual Technology Corp.	3,900	13.00%	N/A	N/A	3,900	13.00%	Chimei Materials Investment Corp.
Chimei Materials Investment Co., Ltd.	None (a limited company)	None (a limited company)	N/A	N/A	N/A	N/A	-
Chimei Materials Technology Corp. (Ningbo)	None (a limited company)	None (a limited company)	N/A	N/A	N/A	N/A	Chimei Materials Technology Co., Ltd.
Chimei Materials Investment Co., Ltd. (Kunshan)	None (a limited company)	None (a limited company)	N/A	N/A	N/A	N/A	Chimei Materials Technology Corp. (Kunshan)
Chimei Materials Technology Corp. (Kunshan)	None (a limited company)	None (a limited company)	N/A	N/A	N/A	N/A	Chimei Materials Investment Co., Ltd.
Chimei Materials Investment Corp.	5,000	100%	N/A	N/A	5,000	100%	-
Chi Tasi Trading Co., Ltd.	100	100%	N/A	N/A	100	100%	-

IV. Fund Raising

1. Capital and shares:

(1) Source of capital stock:

1. Type of shares

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

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

2. Formation of capital:

(1). Formation of capital

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

Note 1: MOEA approval letter under Jing-Shou-Zhong-Zi No.09432129860 dated May 17, 2005
Note 2: MOEA approval letter under Jing-Shou-Shang-Zi No. 09401234500 dated November 28, 2005
Note 3: MOEA approval letter under Jing-Shou-Shang-Zi No. 09501140250 dated July 7, 2006
Note 4: MOEA approval letter under Jing-Shou-Shang-Zi No. 09601280820 dated November 19, 2007
Note 5: MOEA approval letter under Jing-Shou-Shang-Zi No. 09701137240 dated June 12, 2008
Note 6: MOEA approval letter under Jing-Shou-Shang-Zi No. 09801284260 dated December 17, 2009
Note 7: MOEA approval letter under Jing-Shou-Shang-Zi No. 09901132820 dated June 29, 2010
Note 8: FSC Jin-Guan-Zhen-Fa-Zi No. 1000038081 dated August 16, 2011 MOEA approval letter under Jing-Shou-Shang-Zi No. 10001253860 dated November 4, 2011
Note 9: FSC Jin-Guan-Zhen-Fa-Zi No. 1010026539 dated June 21, 2012 MOEA approval letter under Jing-Shou-Shang-Zi No. 10101190820 dated September 17, 2012
Note 10: FSC Jin-Guan-Zhen-Fa-Zi No. 1030026619 dated July 14, 2014 MOEA approval letter under Jing-Shou-Shang-Zi No. 10301180400 dated September 3, 2014
Note 11: FSC Jin-Guan-Zhen-Fa-Zi No. 1060008354 dated March 30, 2017 MOEA approval letter under Jing-Shou-Shang-Zi No. 10601137520 dated September 30, 2017

3. Shelf registration system information: None

(2) Shareholder structure:

Date of suspension of transfer registration: April 24, 2018

Quantity\Shareholder structure	Government agency	Financial institute	Other corporations	Individual	Foreign Institute and others	Total
Number of persons	0	7	124	42,311	100	42,542
Shares held	0	800,248	86,528,983	453,484,354	124,914,915	665,728,500
Shareholding ratio	0.00%	0.12%	13.00%	68.12%	18.76%	100.00%

(3) Distribution of equity:

Date of suspension of transfer registration: April 24, 2018

Level of shareholding	Number of shareholders	Shares held	Shareholding ratio (%)
1 ~ 999	7,235	873,663	0.13%
1,000 ~ 5,000	20,954	51,877,860	7.79%
5,001 ~ 10,000	6,605	55,304,496	8.31%
10,001 ~ 15,000	1,926	24,500,634	3.68%
15,001 ~ 20,000	1,776	33,887,687	5.09%
20,001 ~ 30,000	1,402	36,940,250	5.55%
30,001 ~ 40,000	652	23,918,972	3.59%
40,001 ~ 50,000	513	24,425,181	3.67%
50,001 ~ 100,000	877	64,860,019	9.74%
100,001 ~ 200,000	343	49,533,017	7.44%
200,001 ~ 400,000	159	45,027,313	6.76%
400,001 ~ 600,000	51	25,986,113	3.90%
600,001 ~ 800,000	19	13,625,600	2.05%
800,001~ 1,000,000	7	6,100,245	0.92 %
1,000,001 and above	23	208,867,450	31.37 %
Total	42,542	665,728,500	100.00%

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

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

Name/shares of major shareholder	Number of shares held	Shareholding ratio
Depository receipt account of Chimei Materials Technology Corp. in the Bank of New York Mellon	67,660,280	10.16%
Innolux Corporation	44,741,305	6.72%
Chimei Corporation	32,170,084	4.83%
HSBC in custody for Macquarie Bank Limited, London Branch	25,663,000	3.85%
JPMorgan Chase Bank N.A. Taipei Branch in custody for PGIA Total International ETF	7,000,000	1.05%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Tribman Group Vanguard Emerging Markets Stock Index Fund Investment	4,872,000	0.73%
Formosawine Vintners Corporation	2,600,000	0.39%
Qin Lee	2,500,000	0.38%
Jin-Long Xiao	2,093,850	0.31%
Hua-Rong Qiu	2,062,000	0.31%

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

Unit: thousand shares; NT$

Items		Year	2016	2017	In the current year up to March 31, 2018 (Note 8)
Market price per share (Note 1)	Highest		23.0	16.9	13.5
	Lowest		10.40	11.35	10.55
	Average		15.56	13.77	12.28
Per-share net worth	Before distribution		20.77	17.04	16.61
	After distribution		-	Note 2	-
Earnings per share	Weighted average outstanding shares		515,729	665,729	665,729
	EPS (Note 3)		-2.88	-2.18	-0.51
Stock dividend per share	Cash dividends		-	Note 2	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends (Note 4)		-	-	-
Investment return analysis	P/E ratio (Note 5)		-5.40	-6.32	-24.08
	Price to dividends ratio (Note 6)		-	Note 2	-
	Cash dividend yield (Note 7)		-	Note 2	-

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

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

Note 2: Given the net loss of NT$ 1,226,260,335 in 2017, the Audit Committee and Board of Directors resolved on May 4, 2018 that no remuneration to directors and employees or earnings would be distributed this year and the resolution was submitted to the general shareholders' meeting for ratification.

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

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

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

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

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

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

(6) Dividend policy and implementation:

1. Dividend policy defined in the Articles of Incorporation

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

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

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

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

Since there was a net loss after tax of NT$ 1,226,260,335 in 2017, the Board of Directors resolved on May 4, 2018 that there would be no dividends distributed, but the proposal is awaiting approval by the 2018 General Shareholders' Meeting.

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

(7) Effects of stock grants proposed at the shareholders' meeting on the Company's operating performance and EPS:
According to the letter under Tai-Cai-Zheng(1) No. 00371 dated February 1, 2000, the Company didn't prepare or publish its 2018 financial forecast information. Therefore, it is not applicable here.

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

1. Employees' and directors' (including independent directors')/supervisors' remuneration policies as stated in the Articles of Incorporation:
Where the Company has earnings for a fiscal year, no less than 2% shall be appropriated as the employee remunerations, and the Board of Directors shall resolve whether it is to be issued in the form of shares or cash, and the target for issuance include the Company's employees qualifying a certain criteria. The Board of Directors is authorized to establish specific rules for such issuance. For said earnings of the Company, the Board of Directors shall resolve that no more than 1% is to be appropriated for the remunerations of directors. Employee remuneration and director remuneration allocations shall be reported to the shareholders' meeting. In case of accumulated loss of the Company, the amount shall be reserved to compensate for the amount, followed by allocating for the employee remuneration and director remuneration according to the proportions specified in the preceding paragraph. Where the employee remuneration is issued in the form of new shares, then the number of employee remuneration shares shall be calculated according to the existing laws and regulations.
The "Earnings" of the Company refer to the profits before tax and before the deduction of employee remuneration, which is to be allocated all at once.
2. Basis for estimating the employee and director (including independent director) remuneration for this period, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:
If there are any discrepancies with the estimated values, then they are to be processed with the accounting treatment for estimation change, and are adjusted and entered into account next year.
3. The distributed remuneration resolved by the Board of Directors:
①:The employee remuneration paid by cash or shares, and the remuneration of directors and supervisors. If there are any discrepancies with the estimated value in the expense recognition year, they shall be disclosed along with the reason and treatments:
There was a net loss before tax in 2017, and the remuneration of employees, directors and supervisors have not been recognized. Thus it is not applicable here.
②:Proposed distribution of remuneration to employees in shares as a percentage to net profit after tax plus remuneration to employees in the entity or individual financial statement for the current period
There was a net loss before tax in 2017, and the remuneration of employees, directors and supervisors have not been recognized. Thus it is not applicable here.
4. If there are any discrepancies between the actual distribution of remuneration of the staff, directors and supervisors in the previous year (including the number of shares distributed, amounts and share price) and the recognized remuneration of the employees, directors and supervisors, then the discrepancy number, causes and treatment shall be illustrated:
There was a net loss before tax in 2017, and the remuneration of employees, directors and supervisors have not been recognized. Thus it is not applicable here.

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

2. Issuance of corporate bonds: none.

3. Issuance of preferred stock: none.

4. Issuance of GDRs:

Date of data: May 5, 2018

<table>
<tr><td colspan="3">Date of issuance (offering)
Item</td><td>September 15, 2017</td></tr>
<tr><td colspan="3">Issue date</td><td>September 15, 2017</td></tr>
<tr><td colspan="3">Issuance and trading location</td><td>Singapore Exchange Ltd.</td></tr>
<tr><td colspan="3">Total sum issued</td><td>US$ 64,912,500</td></tr>
<tr><td colspan="3">Issuance price per unit</td><td>US$ 17.31</td></tr>
<tr><td colspan="3">Number of units issued</td><td>3,750,000 units</td></tr>
<tr><td colspan="3">Sources of represented securities</td><td>Common stock by public offering
The securities denoted by the depository receipt come from the Company’s issuance of 150,000,000 common stocks in cash</td></tr>
<tr><td colspan="3">Quantity of represented securities</td><td>Unit quantity of represented securities
The Company’s common stock totaling 40 shares</td></tr>
<tr><td colspan="3">GDR holders' rights and obligations</td><td>as same as the outstanding shares</td></tr>
<tr><td colspan="3">Consignee</td><td>Not applicable</td></tr>
<tr><td colspan="3">Depository institution</td><td>The Bank of New York Mellon</td></tr>
<tr><td colspan="3">Custodian institution</td><td>Mega Bank</td></tr>
<tr><td colspan="3">Unredeemed balance</td><td>As of April 30, 2018, the unredeemed balance was 169,150,720 units, which was about 67,660,280 shares.</td></tr>
<tr><td colspan="3">Allocation of expenses incurred at issuance and over the duration</td><td>Issuance expense: Amortized by the issuing company
Related expenses incurred over the duration: Amortized by the issuing company</td></tr>
<tr><td colspan="3">Key terms of the depository and custodian agreements</td><td>The depository institution exert the rights and duties in proxy for the holder of depository receipt, and the custodian institution keep the common stocks denoted by the depository receipt in custody.</td></tr>
<tr><td rowspan="6">Market price per unit (Note)</td><td rowspan="3">2017</td><td>Highest</td><td rowspan="6">Not applicable</td></tr>
<tr><td>Lowest</td></tr>
<tr><td>Average</td></tr>
<tr><td rowspan="3">During the current year up to May 5, 2018</td><td>Highest</td></tr>
<tr><td>Lowest</td></tr>
<tr><td>Average</td></tr>
</table>

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

In the event of injection of working fund or repayment of debt, please provide comparative descriptions about increase/decrease in current assets, current liabilities and total liabilities, interest expenses and operating revenue and EPS, and also analyze the financial structure:
The surplus item of the Company’s capital is the procurement of materials overseas but not for “fulfilling operating capital and debt payment”, and thus is not applicable here.

5. Issuance of employee stock warrants: none.

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

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

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

1. Previous: 2016 Status of capital allocation and implementation of the plan:

Program	Implementation			Ahead or behind schedule, reason and corrective action
Repayment of bank loan	Advance	Scheduled	1,020,000	Due to the changes in capital market, the fund raising has been less than the expectation until January 21, 2016. Therefore, the Board of Directors resolved to revoke, and acquired FSC approval letter under Jin-Guan-Zhen-Fa-Zi No. 1050003299 dated February 15, 2016 to revoke, the motion for cash capital increase to issue new shares. Meanwhile, the Company refunded the stock payment plus interest to the shareholders.
		Actual	0	
	Implementation progress (%)	Scheduled	100%	
		Actual	0%	
Total	Advance	Scheduled	1,020,000	
		Actual	0	
	Implementation progress (%)	Scheduled	100%	
		Actual	0%	

2. Current: Total funds required by the plan for capital increase by cash and the issuance of GDRs in 2017

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

(2) Capital allocation plan and status of capital allocation

Unit: NT$ thousand

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

(3) Expected benefits

If the total fund required by the plan is raised from the bank loan, the Company's facility will be cut drastically and the Company's dependence on banks will be increased relatively. Under such circumstances, the Company's fund allocation will be affected adversely due to limited facility granted by the financial institute and poor finance, in the event of poor economy or business environment. Given this, the Company's financial and operating risk will be increased accordingly. Therefore, the Company utilizes the fund raised from capital increase by cash and the issuance of GDRs to cover the procurement of materials overseas, so as to reserve the flexible fund allocation for the Company, maintain stable revolving fund to meet future business needs and keep the Company's competitiveness.

V. Overview of Operation
1. Contents of business:
(1) Scope of business:
The business scope of the Company is as the follows:

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

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

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

1.Weight of business

Unit: NTD thousand; %

Main product	Purpose	2017	
		Net Revenues	Weight of business (%)
Polarizer	Polarizer refers to a component critical to LCD, which enables plastic materials to possess the polarized light characteristics through chemical engineering and optics technologies to display captions or pictures.	9,066,621	79.25
Polarizer coil materials		712,939	6.23
others	Chemicals, *et al.*	1,661,212	14.52
Total		11,440,772	100.00

※Current products:
(1). Upstream key components of TFT-LCD-”Polarizer”
Focus on the application products for large-size LCDs, such as the grinding LCD with economic size of 40, 50 and 58 inches, and the polarizers with high-contrast, high-penetration, high-resolution, heat-resistance and humidity-resistance characteristics.
(2). The ultra-thin polarizer exclusive for IPS LCD and the high-durability polarizer exclusive for vehicles, and transparent optical adhesive with high-contrast, high-penetration, special surface treatment and exclusive for touch device characteristics.
(3). High-humidity-resistant PET and COP Polarizer
(4). Polarizers for OLED of small and medium sizes.
(5). Key components for touch module - ”General optical pressure sensitive adhesive” and “UV hardness optical pressure sensitive adhesive.”
※Future products: The Company will develop and sell the following per the demand in the market:
(1). Primarily engaged in the Polarizer for large-size TV.
(2). Continue to develop and produce ultra-thin polarizers exclusive for IPS mobile phone with characteristics like high-contrast, high-penetration and low-rank touch-surface treatment.
(3). Development of new recipes to increase the optical and weather resistance characteristics of polarizer products.
(4). Develop and manufacture vehicle onboard polarizer products.
(5). Develop and manufacture polarizers for OLED of small and medium sizes.

(2) Overview of the industry:

1. Industry status and development

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

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

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

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

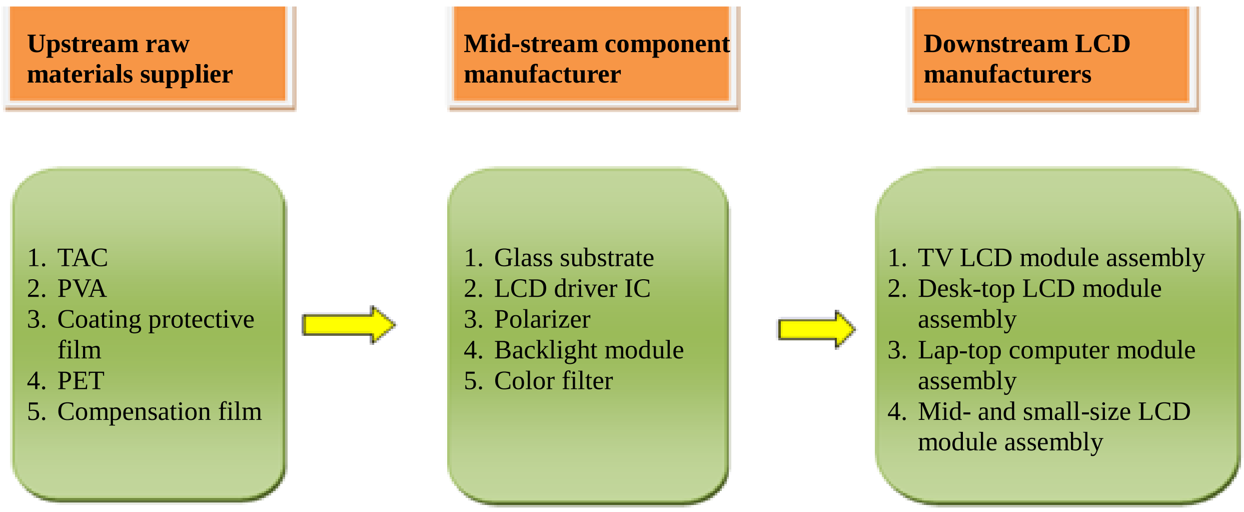
According to the data published by Displaybank, the global demand for polarizer was about 463 million square meters in 2016, including 114 million square meters in the territories of Mainland China, *i.e.* 24.6%, while the GAGR was 39%, higher than the global GAGR, 8%. The Company took the chance to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

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

For the time being, among the mainstream raw materials of the polarizer market, the TAC film for the TFT-LCD are primarily supplied by the two Japan- based manufacturers, FUJIFILM (FUJIFILM Holdings Corporation) (hereinafter referred to as "FUJIFILM") and Konica Minolta (Konica Minolta Holdings, Inc. (hereinafter referred to as "Konica Minolta") globally. Recently, TacBright Optronics Corp. based in Taiwan and HYOSUNG based in Korea have joined the TAC industrial chain. PVA films are primarily supplied by Kuraray (Kuraray Trading Co., Ltd.) (hereinafter referred to as “Kuraray”) and The Nippon Synthetic Chemical Industry Co.,Ltd. (hereinafter referred to as “Nippon Synthetic Chemical”). The primary coating treatment film manufacturers are Dai Nippon Printing Co., Ltd. (hereinafter referred to as “DNP”) and TOPPAN. Further, PET and compensation film suppliers are primarily Japan-based leading manufacturers. Apparently, the main raw materials of polarizer are still controlled by Japan-based manufacturers and, therefore, subject to the upstream suppliers, the polarizer manufacturers’ negotiation for price is subject to some restrictions when they wish to purchase the materials. Recently, the Mainland China manufacturers also worked hard to arrange their layout. The types of applied technologies and products are still under development.

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

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



(3) Overview of technology and R&D:

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

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

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

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

Unit: person

Year / Items	2016		2017		2018 and until March 31	
Educational background	Number of person	Percentage	Number of person	Percentage	Number of person	Percentage
Master and above	48	45.71%	28	44.44%	27	41.54%
College	47	44.76%	29	46.03%	32	49.23%
High school	10	9.53%	6	9.52%	6	9.23%
Total	105		63		65	
Average seniority	4.05		5.42		5.18	

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

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

Unit: NT$ thousand

Year / Items	2013	2014	2015	2016	2017
R&D expenses (A)	297,099	329,436	277,126	338,671	440,846
Net operating revenues (B)	17,852,579	15,818,286	12,747,295	10,374,172	11,440,772
(A)/(B) (%)	1.66%	2.08%	2.17%	3.26%	3.85%

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

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

Year	Contents of R&D results
	Industrially controlled 85℃/85% temperature/humidity durable Polarizer

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

1. Short-term business development plans

(1).Marketing strategies and production strategies

①. Marketing strategies:

❶ Expand the customer base and keep expanding the proportion of operating revenue in the China market.

❷ Upgrade market share of medium and small size panel.

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

❹ Expand automated production, lower HR costs and increase availability rate to enhance the competitiveness of polarizer in the market based on the production strategies.

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

②. Production policy:

❶. Continue to improve production process and rationalize the production system.

❷. Respond to customers' need rapidly, and value quality and quantity evenly.

❸. Cherish raw materials and supplies to reduce production loss.

❹. Value safety and environmental protection.

③ Development orientation of products

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

(2). Scale of operation

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

(3). Financial coordination

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

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

2. Long-term business development plans

(1). Marketing strategies

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

Expand automated production, lower HR costs and increase availability rate to enhance the competitiveness of polarizer in the market based on the production strategies.

(2). Scale of operation

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

(3). Financial coordination

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

2. Overview of the market, production and marketing:

(1) Market analysis:

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

Unit: NT$ thousand

Territory \ Year		2016		2017	
		Sales amount	Percentage (%)	Sales amount	Percentage (%)
Domestic marketing		3,875,536	37.36%	3,313,760	28.96%
Export sales	Asia	6,498,636	62.64%	8,127,012	71.04%
	Subtotal of exportation	6,498,636	62.64%	8,127,012	71.04%
Total		10,374,172	100%	11,440,772	100%

2. Market share

According to the latest report made by the market survey organization, Fuji Chimera Research Institute, Inc., the entire polarizer market scale attained JPY959.7 billion in 2015, a growth rate by 9.2% from 2014, including the market scale of polarizer used for large-size LCD, such as TV, monitor, and note book, amounting to JPY728.6 billion, accounting for 75.9%. It is expected that the entire polarizer market scale could amount to JPY950.8 billion in 2020.

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

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

The Company maintained its stable output of the production base of Tainan Plant, proceeded with de-bottleneck, and enhanced its production capacity and export in 2017. Meanwhile, it will be in line with the exchange of the upstream raw material suppliers' next generation film materials with respect to the application of polarizer for TV, research and develop new materials to replace TAC film materials, and work with the in-house LCD manufacturer to upgrade TV polarizer output and production capacity utilization rate via a new type of production process.

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

4. Niches in competition

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

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

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

(2). Ability to develop product and equipment

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

(3). Already launch into potential markets

The Company's production technology and pricing competitiveness with respect to the mainstream LCD models can afford to compete with the international leading manufacturers. The Company works with LCD manufactures and thus may supply goods nearby. The Mainland China government strongly cultivates the local LCD industry and boosts locally-made LCD and, therefore, the local LCD manufacturers' production capacity is upgraded greatly. As a result, the supply of polarizer cannot meet the demand thereof. The Company's plant in Kunshan is expected to start the mass production from May 2017. Then, the market share of the Company's LCD plant invested by Mainland China is expected to increased.

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

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

(4). Cost Competitiveness

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

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

※ Advantage:

(1). LCD market application remains extensive and prevailing

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

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

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

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

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

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

※Disadvantage and Reaction Strategy

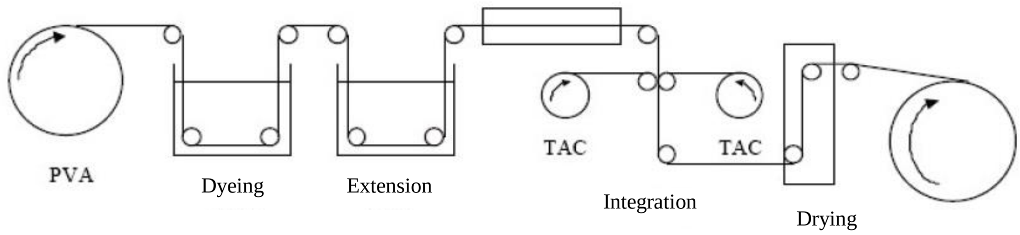
Disadvantages	Reaction Strategy
The production still relies on imported raw materials.	The speed of production capacity of the polarizer industry each year is highly correlated to the speed of materials supply. The Japan-based raw materials suppliers who control the polarizer TAC, PET and COP permanently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

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

1. Important purpose of main products

Main products (commodities)	Important purpose or function
Polarizer	■Polarizer enables plastic materials to possess the polarized light characteristics through chemical engineering and optics technologies, which refer to a light guide plate which permits only one-direction light permeability. ■One piece of polarizer is required in the process of production of LCD at the top and bottom, respectively, and shall be embedded in alternate directions. ■The main purpose is to enable the source of light to generate a phased difference to reflect brightness and darkness in electric field and non-electric field, so as to display caption or picture.

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



Source of data: Topology Research Institute, 2010/06

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

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

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

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

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

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

Unit: NT$ thousand

Year	2016				2017				During 2017 up to the previous quarter			
Items	Name	Amount	As a percentage to the yearly net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to the yearly net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to the first quarter net purchases of the year (%)	Relationship with the issuer
1	FUJIFILM CORPORATION	2,846,481	34.61	N/A	FUJIFILM CORPORATION	1,730,529	15.89	N/A	Kuraray Trading CO., LTD	344,995	10.09	N/A
	others	5,377,777	65.39	N/A	others	9,161,906	84.11	N/A	others	3,075,652	89.91	N/A
	Net purchase	8,224,258	100	N/A	Net purchase	10,892,435	100	N/A	Net purchase	3,420,647	100	N/A

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

2. Main customers in the most recent two years

Unit: NT$ thousand

Year	2016				2017				During 2017 up to the previous quarter			
Items	Name	Amount	As a percentage to the yearly net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to the yearly net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to the first quarter net sales of the year (%)	Relationship with the issuer
1	Customer A	3,500,629	33.67	N/A	Customer A	2,983,629	26.08	N/A	Customer A	738,416	25.62	N/A
2	Customer B	2,225,495	21.45	N/A	Customer B	1,938,974	16.95	N/A	Customer B	366,681	12.72	N/A
3	Customer C	1,542,015	14.86	N/A	Customer C	1,131,152	9.89	N/A	Customer C	239,546	8.31	N/A
	others	3,106,033	30.02	N/A	others	5,387,017	47.08	N/A	others	1,537,379	53.35	N/A
	Net sales	10,374,172	100	N/A	Net sales	11,440,772	100	N/A	Net sales	2,882,022	100	N/A

Note 1: The list of customers accounting for 10 per cent or more of the Company's total sales amount in either of the 2 most recent years, the amounts sold to each and the percentage of total sales accounted for by each shall be clearly presented. But if the Company is prohibited by contract from revealing the name of the customer, or if the trading counterpart is an individual person but not a stakeholder, a code may be used in place of the actual name.

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

Unit: Thousand meters; NT$ thousand

Year / Production volume/value	2016			2017		
Main products	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Polarizer	23,271	13,435	9,642,730	26,381	14,648	9,364,610
Polarizer coil materials		2,269	530,109		3,733	1,147,087
others	N/A	N/A	N/A	N/A	N/A	N/A
Total	23,271	15,704	10,172,839	26,381	18,381	10,511,697

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

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

Unit: Thousand pieces (meters); NT$ thousand

Year / Sales volume	2016				2017			
	Domestic sales		Export sales		Domestic sales		Export sales	
Main products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Polarizer	51,543	3,562,156	159,138	6,141,230	45,070	2,783,010	169,030	6,283,611
Polarizer coil materials	1,512	307,466	752	211,387	2,881	526,982	570	185,957
others	23	5,914	812	146,019	16	3,768	5,984	1,657,444
Total	53,078	3,875,536	160,702	6,498,636	47,967	3,313,760	175,584	8,127,012

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

3. Employees:

Unit: person; %

Year		2016	2017	2018 Until March 31
Number of employees	Direct employees	897	798	755
	Indirect employees	391	352	337
	Total	1,288	1,150	1,092
Average age (years)		34.26	35.17	35.45
Average years of service (years)		6.1	6.57	6.85
Academic background (%)	Master/Doctor	10.95%	9.83%	9.04%
	College	62.66%	63.30%	60.52%
	High school (high vocational school)	26.39%	26.87%	25.39%
	High school and below	0.00%	0.00%	0.00%

4. Information about environmental protection expenditure:

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

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

Name of public or private premises: Chimei Materials Technology Corp. Control No.: R90A0401 Address: No. 13, Mushangang West Road, Nanguan Neighborhood, Shanhua District, Tainan City
Stationary pollution source operating permit 1. Optical component (polarizer) manufacturing procedure (M01) Nan-Xian-Fu-Huan-She-Zhen-Zi No. D0051-02 dated April 24, 2017 2. Boiler steam generation procedure (M02) Nan-Xian-Fu-Huan-She-Zhen-Zi No. D0537-01 dated April 26, 2017 3. Optical component (polarizer) manufacturing procedure (M03) Nan-Xian-Fu-Huan-She-Zhen-Zi No. D0930-01 dated July 18, 2014
Water pollution prevention permit Nan-Shi-Fu-Huan-Shui-Zhen-Zi No. 01264-12 dated February 13, 2018
Industrial waste disposal plan Tainan City Government Fu-Huan-Shi-Zi No. 1070406304 dated April 10, 2018 Disposal plan approval letter No.: R09512080001
Toxic chemical substances permit 1. The 4th type toxic chemical substances permit of Tainan City: 079-21-J0078 October 5, 2016 2. The 4th type toxic chemical substances permit of Tainan City: 107-21-O0003 October 5, 2016 3. The 4th type toxic chemical substances permit of Tainan City: 117-21-O0003 October 5, 2016 4. The 4th type toxic chemical substances permit of Tainan City: 164-21-O0001 November 23, 2016

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

Unit: NT$

Year	Air pollution fee
2015	161,237
2016	140,161
2017	152,160

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

Unit: NT$

Year	Fees of use of sewage treatment system
2015	22,788,242
2016	20,235,827
2017	18,404,442

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

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

(5) Emission volume of CO2 or other greenhouse gasses in the most recent two years: (2017)

※Effect or impact of enterprises on greenhouse gas emission:

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

Inspection organization: DNV GL Date of inspection: September 8, 2017 to September 28, 2017 Inspection Statement Date: December 13, 2017

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

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

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

December 31, 2017; Unit: NT$ thousand

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

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

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

5. Labor relations:

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

1. Employee welfare, employees' continuing education and training

(1). Employee welfare

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

(2). Employees' continuing education and training:

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

(3). Complete orientation training

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

(4). Promotion of internal trainer training plan

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

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

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

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

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

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

③Labor and management settlement: The Company values employees' opinion and convenes the labor-management meeting periodically.

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

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

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

6. Important contracts:

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

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

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

7. Other important notes: None.

VI. Overview of Finance

1. Condensed Balance Sheets for the most recent five years

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

1. Condensed balance sheets:

Unit: NT$ 1,000

Items \ Year		Financial information for the most recent five years (Note 1)					Year-to-date March 31, 2018 Financial information (Note 2)
		2013	2014	2015	2016	2017	
Current asset		8,593,678	10,931,978	9,896,678	10,476,597	11,697,051	11,743,931
Property, plant, and equipment		7,107,746	6,665,963	6,843,989	9,639,819	11,169,695	11,461,590
Intangible assets		49,707	58,354	55,704	58,608	95,632	89,004
Other assets		102,387	310,326	908,122	427,768	496,213	2,075,914
Total assets		15,853,518	17,966,621	17,704,493	20,602,792	23,458,591	25,370,439
Current liabilities	Before distribution	4,816,830	4,758,135	4,629,600	7,520,416	10,177,149	12,181,954
	After distribution	4,865,947	6,047,456	4,887,464	7,520,416	Note 3	Note 3
Non-current liabilities		23,067	67,515	141,740	82,844	171	210,396
Total liabilities	Before distribution	4,839,897	4,825,650	4,771,340	7,603,260	10,177,320	12,392,350
	After distribution	5,085,482	6,114,971	5,029,204	7,603,260	Note 3	Note 3
Equity attributable to owners of parent company		10,924,714	13,060,830	12,711,212	10,712,234	11,345,730	11,057,858
Share capital		4,911,700	5,157,285	5,157,285	5,157,285	6,657,285	6,657,285
Capital surplus		601,741	405,273	400,487	453,761	856,768	860,482
Retained earnings	Before distribution	5,371,344	7,325,203	7,045,946	5,304,161	4,077,901	**3,739,007**
	After distribution	5,076,642	6,035,882	6,788,082	5,304,161	Note 3	**Note 3**
Other equity		39,929	173,069	107,494	(202,973)	(246,224)	(198,916)
Treasury shares		-	-	-	-	-	-
Non-controlling interest		88,907	80,141	221,941	2,287,298	1,935,541	1,920,231
Total of equity	Before distribution	11,013,621	13,140,971	12,933,153	12,999,532	13,281,271	12,978,089
	After distribution	10,964,504	11,851,650	12,675,289	12,999,532	Note 3	Note 3

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

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

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

Note 2: The financial information has been audited.

Note 3: Pending resolution by the shareholders' meeting

2.Condensed comprehensive income statement:

Unit: NT$ 1,000

Items \ Year	Financial information for the most recent five years (Note 1)					Year-to-date March 31, 2018 Financial information (Note 2)
	2013	2014	2015	2016	2017	
Operating revenue	17,852,579	15,818,286	12,747,295	10,374,172	11,440,772	2,882,022
Gross profit	3,006,348	3,898,324	1,789,007	(796,755)	(749,112)	2,996,012
Net operating income	2,396,365	2,179,655	1,082,610	(1,606,238)	(1,671,123)	(113,990)
Non-operating income and expense	315,853	493,198	283,976	62,767	(11,794)	(37,096)
Net income before tax	2,712,218	2,672,853	1,366,586	(1,543,471)	(1,682,917)	(387,965)
Net income of continuing operation units	2,431,897	2,239,633	1,047,159	(1,483,862)	(1,550,026)	(390,252)
Net loss from discounting operations	-	-	-			-
Net income (loss)	2,431,897	2,239,633	1,047,159	(1,483,862)	(1,550,026)	(390,252)
Other comprehensive income (loss) (net of tax)	79,008	133,302	(72,138)	(426,470)	(72,660)	81,070
Net income	2,510,905	2,372,935	975,021	(1,910,332)	(1,622,686)	(309,182)
Net income attributed to owners of parent company	2,446,292	2,248,561	1,048,795	(1,483,921)	(1,226,260)	(338,894)
Net income attributed to non-controlling equity	(14,395)	(8,928)	(1,636)	59	(323,766)	(51,358)
Total comprehensive income attributed to owners of parent	2,525,004	2,381,701	983,220	(1,794,388)	(1,269,892)	(291,586)
Total comprehensive income attributed to non-controlling equity	(14,099)	(8,766)	(8,199)	(115,944)	(352,794)	(17,596)
Earnings per share	4.98	4.36	2.03	(2.88)	(2.18)	(0.51)

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

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

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

Note 2: The financial information has been audited.

5. Individual Condensed Balance Sheets

Unit: NT$ 1,000

Items \ Year		Financial information for the most recent five years (Note 1)				
		2013	2014	2015	2016	2017
Current asset		7,789,671	7,663,132	7,406,856	7,863,009	7,602,818
Funds and investments		1,214,926	3,852,538	4,147,294	3,337,830	2,777,071
Fixed assets		6,392,434	5,816,617	5,307,162	4,945,581	4,565,782
Intangible assets		2,018	15,440	17,490	22,077	84,515
Other assets		84,800	82,731	176,404	46,495	49,423
Total assets		15,483,849	17,430,458	17,055,206	16,214,992	15,079,609
Current liabilities	Before distribution	4,536,068	4,302,113	4,202,254	5,419,914	3,733,804
	After distribution	4,585,185	5,591,434	4,460,118	5,419,914	Note 2
Long-term liabilities		-	-	-	-	
Other liabilities		23,067	67,515	141,740	82,844	75
Total liabilities	Before distribution	4,559,135	4,369,628	4,343,994	5,502,758	3,733,879
	After distribution	4,608,252	5,658,949	4,601,858	5,502,758	Note 2
Share capital		4,911,700	5,157,285	5,157,285	5,157,285	6,657,285
Capital surplus		601,741	405,273	400,487	453,761	856,768
Retained earnings	Before distribution	5,371,344	7,325,203	7,045,946	5,304,161	4,077,901
	After distribution	5,125,759	6,035,882	6,788,082	5,304,161	Note 2
Other equity		39,929	173,069	107,494	(202,973)	(246,224)
Total of equity	Before distribution	10,924,714	13,060,830	12,711,212	10,712,234	11,345,730
	After distribution	10,875,597	11,771,509	12,453,348	10,712,234	Note 2

*If the Company has prepared individual financial statements, it shall also prepare the individual condensed balance sheets and comprehensive income statements for the most recent five years separately.
*If the financial information prepared based on IFRSs refers to that for less than the most recent five years, the Company shall also prepare the financial information based on R.O.C. Financial Accounting Standards as shown in the following Table (2).
Note 1: The financial information for the most recent five years has been audited.
Note 2: Pending resolution by the shareholders' meeting

6.Condensed comprehensive income statement:

Unit: NT$ 1,000

Items \ Year	Financial information for the most recent five years (Note 1)				
	2013	2014	2015	2016	2017
Operating revenue	16,885,079	14,815,633	11,586,357	9,642,524	8,297,621
Gross profit	3,206,875	2,437,863	1,313,146	(421,072)	(258,223)
Net operating income	2,547,685	2,045,638	883,556	(928,672)	(808,467)
Non-operating income and expense	139,726	560,915	437,211	(617,118)	(554,132)
Net income before tax	2,687,411	2,606,553	1,320,767	(1,545,790)	(1,362,599)
Net income of continuing operation units	2,446,292	2,248,561	1,048,795	(1,483,921)	(1,226,260)
Net loss from discounting operations	-	-	-	-	-
Net income (loss)	2,446,292	2,248,561	1,048,795	(1,483,921)	(1,226,260)
Other comprehensive income (loss) (net of tax)	78,712	133,140	(65,575)	(310,467)	(43,632)
Net income	2,525,004	2,381,701	983,220	(1,794,388)	(1,269,892)
Earnings per share	4.98	4.36	2.03	(2.88)	(2.18)

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

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

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

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

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

Year	Accounting Firm	Independent auditor	Audit opinion
2013	Deloitte & Touche	Su-Li Fan and Shu-Jie Huang	Unqualified opinions
2014	Deloitte & Touche	Su-Li Fan and Shu-Jie Huang	Unqualified opinions
2015	Deloitte & Touche	Ming-Hui Chen, Shu-Jie Huang	Unqualified opinions
2016	Deloitte & Touche	Ming-Hui Chen, Shu-Jie Huang	Unqualified opinions
2017	Deloitte & Touche	Ming-Hui Chen, Shu-Jie Huang	Unqualified opinions

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

Year	Former independent auditor	Current independent auditor	Reason for replacement
2013	Su-Li Fan, Hong-Wen Huang	Su-Li Fan, Shu-Jie Huang	As a result of the internal routine transfer of independent auditors in Deloitte & Touche.
2015	Su-Li Fan, Shu-Jie Huang	Hong-Peng Lin, Shu-Jie Huang	As a result of the internal routine transfer of independent auditors in Deloitte & Touche.
	Hong-Peng Lin, Shu-Jie Huang	Ming-Hui Chen, Shu-Jie Huang	As a result of the internal routine transfer of independent auditors in Deloitte & Touche.

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

2. Financial analysis for the most recent five years:

1. Financial analysis:

Unit: NT$ 1,000

Analysis items (Note 3) \ Year (Note 1)		Financial information for the most recent five years					In the current year up to March 31, 2018 (Note 2)
		2013	2014	2015	2016	2017	
Financial Structure (%)	Debt ratio	30.53%	26.86%	26.95%	36.9%	43.38%	48.85%
	Long term fund to property, plant and equipment ratio	154.95%	197.14%	188.97%	134.85%	118.90%	113.23%
Liquidity analysis	Current ratio	178.41%	229.75%	213.77%	139.31%	114.93%	96.40%
	Quick ratio	136.33%	184.11%	166.72%	101.15%	83.48%	66.66%
	Interest coverage	4,756.01%	5,285.17%	5,673.58%	-10,443.55%	-1226.94%	-511.44%
Operating Performance Analysis	Account receivable turnover (times)	3.53	3.52	3.15	3.19	3.50	3.45
	Average collection turnover	103.37	103.73	116.01	114.41	104.28	105.79
	Inventory turnover (times)	3.95	3.78	3.13	3.27	3.37	3.79
	Account payable turnover (times)	6	7.45	6.25	6.04	6.14	6.28
	Average inventory turnover days	92.30	96.61	116.77	111.72	108.30	96.22
	Fixed assets turnover (times)	2.40	2.30	1.89	1.26	1.10	1.02
	Total assets turnover(times)	1.06	0.94	0.71	0.54	0.52	0.47
Profitability Analysis	Return on total assets (%)	14.70%	13.5%	5.99%	-7.68%	-6.56%	-6.18%
	Return on equity (%)	23.87%	18.54%	8.03%	-11.44%	-11.80%	-11.89%
	net income before tax to paid-up capital ratio (%) (Note 7)	55.22%	51.83%	26.50%	-29.93%	-25.28%	-23.31%
	Net margin (%)	13.62%	14.16%	8.21%	-14.30%	-13.55%	-13.54%
	Earnings per share (dollar)	4.98	4.36	2.03	-2.88	-2.18	-0.51
Cash flow	Cash flow ratio (%)	103.25%	62.07%	68.68%	-13.68%	-16.61%	-26.93%
	Cash flow adequacy ratio (%)	138.09%	157.87%	151.80%	126.80%	73.01%	1.10%
	Cash reinvestment ratio (%)	26.70%	14.4%	8.99%	-5.89%	-7.38%	-14.24%
Leverage	Operating leverage	1.81	1.89	2.94	-0.21	-0.07	0.05
	Financial leverage	1.02	1.02	1.02	0.99	0.93	0.96

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

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

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

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

1. Financial Structure analysis

(1) Debt ratio= Total Liabilities / Total Assets
(2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net
2. Liquidity analysis
(1) Current ratio = Current assets / Current liability
(2) Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability
(3) Times interest earned = Profit Before Credit for Income Tax / Current interest expense
3. Operating performance analysis
(1) Average collection turnover(Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables
(2) Days to collect accounts receivable = 365 / Average collection turnover
(3) Average inventory turnover = Cost of goods sold / Average inventories
(4) Average payment turnover (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables
(5) Average days to sell inventory = 365 / Average inventory turnover
(6) Property, plant and equipment turnover rate = Net sales / average property, plant and equipment, net
(7) Total assets turnover = Sales / Average total assets
4. Return on investment analysis
(1) Rate of return on assets = [Profit + Interest expense X (1 - Tax rate)] / Average assets
(2) Rate of return on equity = Profit / Average total Equity
(3) Profit to sales = Profit / Sales
(4) Earnings per share = (Equity attributable to owners of parent - Dividend-preferred stock) / Weighted average outstanding shares (Note 4)
5. Cash flow
(1) Cash flow ratio = Net cash provided by operating activities / Current liability
(2) Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)
(3) Cash flow reinvestment ratio = (Net cash provided by operating activities - Cash dividend) - (Property, plant and equipment, net + Long-term investments + Other non-current assets + Operating Capital) (Note 5)
6. Leverage
(1) Operating Leverage = (Net operating revenue – Variable cost and expense) / Operating income (Note 6)
(2) Financial leverage = Operating income / (Operating income – Interest expenses)

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

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

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

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

3. Individual financial ratio analysis:

Unit: NT$ 1,000

Analysis items (Note 2)	Year (Note 1)	Financial information for the most recent five years				
		2013	2014	2015	2016	2017
Financial Structure (%)	Debt ratio	29.44%	25.07%	25.47%	33.94%	24.76%
	Long term fund to property, plant and equipment ratio	170.90%	224.54%	239.51%	216.6%	248.49%
Liquidity analysis	Current ratio	171.73%	178.12%	176.26%	145.08%	203.62%
	Quick ratio	134.48%	139.60%	137.55%	115.3%	161.81%
	Interest coverage	6,262.09%	9,067.09%	9,739.23%	-19,109.52%	-7,649.53%
Operating Performance Analysis	Account receivable turnover (times)	3.07	2.80	2.28	2.05	2.97
	Average collection turnover	118.74	130.44	160.41	177.71	123.06
	Inventory turnover (times)	5.08	5.38	4.38	4.29	3.60
	Account payable turnover (times)	5.57	7.16	5.93	5.48	4.50
	Average inventory turnover days	71.81	67.82	83.37	85.18	101.48
	Fixed assets turnover (times)	2.50	2.43	2.08	1.88	1.74
	Total assets turnover(times)	1.03	0.90	0.67	0.58	0.53
Profitability Analysis	Return on total assets (%)	15.08%	13.81%	6.15%	-8.88%	-7.74%
	Return on equity (%)	24.24%	18.75%	8.14%	-12.67%	-11.12%
	net income before tax to paid-up capital ratio (%) (Note 7)	54.71%	50.54%	25.61%	-29.97%	-20.47%
	Net margin (%)	14.49%	15.18%	9.05%	-15.39%	-14.78%
	Earnings per share (dollar)	4.98	4.36	2.03	-2.88	-2.18
Cash flow	Cash flow ratio (%)	96.67%	62.82%	48.87%	-6.19%	43.07%
	Cash flow adequacy ratio (%)	137.45%	122.03%	125.18%	163.22%	174.5%
	Cash reinvestment ratio (%)	23.87%	13.53%	3.8%	-1.8%	8.18%
Leverage	Operating leverage	1.74	1.78	2.98	-0.7	-0.61
	Financial leverage	1.02	1.01	1.01	0.99	0.98

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

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

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

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

1. Financial Structure analysis
(1) Debt ratio= Total Liabilities / Total Assets
(2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net
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(2) Financial leverage = Operating income / (Operating income – Interest expenses)

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

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

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

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

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

CHI MEI MATERIALS TECHNOLOGY CORP

Report of the Audit Committee.

The Audit Committee, after completing the audit of the financial statements, business reports and earnings distribution motions 2017 submitted by the Board of Directors, believes that they are free of material misstatement, and thus has produced this report according to Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

General Shareholders’ Meeting of CHI MEI Materials Technology Corp. 2018

Independent Director: LAI-HUANG LO

Independent Director: HSIAO-KEN CHUANG

Independent Director: Wei-Ting Liu

March 19, 2018

4. The current annual financial statements, as well as independent auditor's report, comparative balance sheets for the most recent two years, comprehensive income statements, statements of changes in equity, cash flow statements and notes or schedules: Please refer to Appendix A (p.100~p.174).
5. Latest individual financial statements audited and certified by the independent auditor (exclusive of the statement of important accounting items):
   Please refer to Appendix A (p.175~p.239).

6. Any financial difficulties encountered by the Company and its affiliates which might affect the financial conditions of the Company in the most recent year and up to the date of publication of the annual report: none.

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

1. Comparative analysis of financial conditions

Unit: NTD thousand; %

Year / Accounting title	2016		2017		Increase (decrease) change	
	Amount	% (Note 1)	Amount	% (Note 1)	Amount	% (Note 2)
Current asset	10,476,597	51	11,697,051	50	1,220,454	12
Long-term Investments	-	-	-	-	-	-
Fixed assets	9,639,819	47	11,169,695	48	1,529,876	16
Other assets	486,376	2	591,845	2	105,469	22
Total assets	20,602,792	100	23,458,591	100	2,855,799	14
Current liabilities	7,520,416	37	10,177,149	43	2,656,733	35
Long-term liabilities	-	-	-	-	-	-
Other liabilities	82,844	-	171	-	(82,673)	(100)
Total liabilities	7,603,260	37	10,177,320	43	2,574,060	34
Share capital	5,157,285	25	6,657,285	28	1,500,000	29
Capital surplus	453,761	2	856,768	4	403,007	89
Retained earnings	5,304,161	26	4,077,901	18	(1,226,260)	(23)
Other equity	(202,973)	(1)	(246,224)	(1)	(43,251)	21
Non-controlling interest	2,287,298	11	1,935,541	8	(351,757)	(15)
Total Shareholder's equity	12,999,532	63	13,281,271	57	281,739	2

Note 1: $ means the same type of ratio under the given title in various related statements.
Note 2: % means the change ratio calculated based on 100% in the previous year.
Explanation of significant changes (if the magnitude of increase or decrease is more than 20% and the increase or decrease amounts to NT$10 million):

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

2. Financial performance

※Financial performance analysis:

Unit: NTD thousand; %

Year / Accounting title	2016		2017		Increase (decrease) change	
	Amount	% (Note 1)	Amount	% (Note 1)	Amount	% (Note 2)
Total operating revenues						
Less: Sales returns and discounts						
Net Revenues	10,374,172	100	11,440,772	100	1,066,600	10
Operating costs	11,170,927	108	12,189,884	106	1,018,957	9
Realized (unrealized) gross profits on Inter-affiliate accounts						
Realized gross profits	(796,755)	(8)	(749,112)	(6)	47,643	(6)
Operating expenses	775,613	8	922,011	8	146,398	19
Operating income	(1,606,238)	(16)	(1,671,123)	(14)	(64,885)	4
Non-operating income and expense	62,767	1	11,794	-	(50,973)	(81)
Net income before tax for the current period	(1,543,471)	(15)	(1,682,917)	(14)	(139,446)	9
Gain from income tax (expense)	59,609	1	132,891	1	73,282)	123
Net income	(1,483,862)	(14)	(1,550,026)	(13)	(66,164)	4

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

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

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

1. Non-operating income and expense: The difference is primarily due to the increase of financial cost.

2. Income tax expense: Mainly due to the loss and the subsequent decrease of income tax expense.

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

The Company drafted the following response measures to deal with the potential effect on the Company's operation and future financial condition in 2017:

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

3. Analysis of cash flows:

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

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

Unit: NT$ thousand

Items	2016	2017	Amount of increase or decrease
Operating activities	-1,029,136	-1,690,546	-661,410
Investing activities	-2,698,154	-1,833,860	864,294
Financing activities	5,154,171	3,706,858	-1,447,313
Total	1,426,881	182,452	-1,244,429

Analysis of changes in cash flow:

1. Operating activities: Given the net loss before tax in 2017, the increase in account receivables, inventory, prepayment and other current assets resulted in the increase in net cash outflow from operating activities in 2017 compared with 2016.
2. Investing activities: The Company's pre-payment for civil engineering work and equipment expenditure in Kunshan resulted in the increase in cash outflow. Thus, there was a decrease in net cash outflow from investing activities in 2017.
3. Financing activities: In order to upgrade financial flexibility in 2016, the Company drew down the bank loan and initiated the syndicated loan project for Kunshan Plant, therefore resulting in the increase in financing. Meanwhile, the capital invested by the minor interest of Kuanshan Plant, NT$ 2.23 billion, resulted in a decrease in net cash inflow from financing activities in 2017.

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

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

Unit: NT$ thousand

Cash - beginning Balance (1)	Expected net cash flow from operating activities for the year (2)	Expected cash outflow for the year (3)	Expected cash balance (1)+(2)-(3)	Countermeasures against cash insufficiency	
				Investment plan	Wealth management plan
4,939,738	251,882	522,417	5,714,037	-7,848,322	8,370,739

Analysis of changes in cash flow in the coming year:

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

B. Investing activities: The Company's expenditure include the routine replacement of spare parts of the equipment, maintenance of the equipment and purchase of machine & equipment, which totaled NT$ 75 million. Meanwhile, Chimei Materials in Kunshan needs about NT$ 7.73 billion in plant expanding. The total fund required was about NT$ 7.848 billion.

C. Financing activities: Chimei Materials in Kunshan expects to issue shares by cash for NT$ 146 million in 2018Q2, and issue shares by cash for RMB800 million and borrow from the bank in 2018Q3, in order to support the funds needed in the second production line.

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

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

1. The major capital expenditure in the most recent year (2018) (for procurement of machines and equipment, and routine maintenance of equipment and plant) totaled NT$ 3.3 billion.
2. The important capital expenditure in 2018 is expected to be mainly the NT$ 100 million of procurement and upgrading of equipment in Taiwan. The capital expenditure of Chimei Materials Technology Corp. (Kunshan) in expanding the second production line and technical authorization fees totaled about NT$ 3.2 billion, with the main funding source being self-owned fund, share issuance and bank loans.

(2) Expected benefits:

1. Long-term: Currently, the Company continues to improve its production process and enter into mass production with the input of new technology and new materials. Besides, through the

construction of the 2.5M production line of Chimei Materials Technology Corp. (Kunshan) and the difficulty-removed existing lines, the Company continues to increase its production volume, so as to follow the trend of highly-growing polarizer needs in China.

2. Short-term: For the time being, the Company is affected by the economic fluctuation of the LCD industry and continuous price decline of the polarizer. The Company continues to improve the production process and deals with R&D of Polarizer for the high-resolution LCD, onboard LCD and smart mobile devices, introduces new technologies and new materials to increase the differentiation of products and reduce production cost. It is expected that development and planning mentioned above can of great benefits to the Company’s operating revenue and market share.

3. Profitability: So far, as the price of final-end LCD products continued to decline, the polarizer price has not started to bounce back. In addition, as affected by the appreciation of New Taiwan Dollar and Japanese Yen, and the plant expanding expense and production have not reached economic scales in Chimei Materials Technology Corp. (Kunshan), the Company still suffered losses in 2017. Although the market is still competitive in 2018, Chimei Materials Technology Corp. still continues to move on according to its existing layout, developing at a fast pace under the trend of the highly-growing needs in China.

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

(1) Investment plans for the coming year:

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

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

December 31, 2017; Unit: NT$ thousand

Investees	Shareholding ratio	Recognized Investment income	Profits or losses Main causes of	Corrective action plan
Chimei Materials Technology Corp.(Samoa)	100%	(171,831)	Recognized loss from investment in Chimei Materials (Ningbo) .	N/A
Chimei Visual Technology Corp.	68.33%	(20,319)	The progress of product directing LCD firms lagged behind, and the technology of high-resolution product is not mature.	The yield rate of rollers increased, attracting customer orders.
Chimei Materials Technology Corp. (Ningbo)	100%	(184,585)	The sales volume and selling price declined in 2017, resulting in the loss.	Introduce new materials to cut the cost price and keep improving the product quality to upgrade earnings.
Chimei Materials Investment Co., Ltd.	100%	(304,957)	Recognized investment loss from Chimei Materials Technology Corp. (Kunshan).	N/A
Chimei Materials Investment Co., Ltd. (Kunshan) (Note 1)	49%	6,528	Increase operating items	N/A
Investees	Shareholding ratio	Recognized Investment income	Main causes of profits or losses	Corrective action plan
Chimei Materials Technology Corp. (Kunshan)	49%	(304,915)	The plant entered into mass production formally in 2017Q2, and related costs and expenses increased.	Production capacity decreased successfully and the products continued to have high quality, increasing profitability.
Chimei Materials	100%	(3,862)	Recognized income from investment	N/A

Investees	Shareholding ratio	Recognized Investment income	Profits or losses Main causes of	Corrective action plan
Investment Corp.			in Chimei Visual Technology Corp.	
Chi Tasi Trading Co., Ltd.	100%	(25)	N/A	N/A
Chijin Corporation	-	(1,745)	Note 2	Have been sold on December 25, 2017.

Note 1: The Company's Board of Directors resolved on October 20, 2015 that Kunshan Development Zone Investment Holdings Limited and Kunshan Economic and Technological Development Zone Industrial Development Limited would transfer the fund totaling US$5,871 already invested by them, *i.e.* 3.91% of the shares, and the fund totaling NT$70,629 thousand not yet invested by them, *i.e.* 47.09% of the shares, (totaling 51% shares) to Hangzhou Jinjiang Group (Jinjiang Group), holding 46%, and Zhejiang Renyuan Import and Export Co., Ltd. (Renyuan Co., Ltd.), holding 5%. Until May 16, 2016, Jinjiang Group and Renyuan Co., Ltd. have invested US$69,000 thousand and US$7,500 thousand. The paid-in capital of Chimei Materials Technology Corp. (Kunshan) is US$150,000 thousand, *i.e.* 100% of the registered capital. Until December 31, 2016, the Company's shareholding ratio has been 49%.

Note 2: Chijin Corporation was originally called "Jinjiang Corporation" and was established on June 29, 2016. It was 100% held by Hengjie Industrial Co., Ltd. with JP$ 23,000,000. The Company invested in Jinjiang Corporation with JP$ 47,000,000 on March 3, 2017, and the shareholding ratio was 67.14%. The investment was originally made for the purpose of lowering the procurement cost of raw materials. However, since the execution benefits were not as expected, after considering economic efficacy, the Company sold it to Hengjie Industrial Co., Ltd. with JP$ 47,000,000 on December 25, 2017.

(3) Investment plans for the coming year:

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

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

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

1. Interest rate:

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

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

2. Foreign exchange rate:

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

3. Inflation:

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

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

1. For the most recent year and up to the date of publication of the prospectus (May 5, 2018), the Company has never engaged in high-risk investment, highly leveraged investment or loaning to others.
2. Statement of loans to others and endorsements/guarantees: Please refer to p.102~p.103.
3. The Company's derivative trading policy is stated as follows:

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

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

Future R&D plans:

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

2. Further expenditures expected for research and development:

The Company schedules to invest NT$ 529,015 thousand of R&D expenditure in 2018, which accounts for 3% of the Company's revenue.

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

a. It is expected that various LCD manufacturers will start the mass production of 8K4K LCD successively in the latter half of 2017 to 2018. However, given the upgraded 8K4K resolution and the drastic declination of perture ratio, the LCD power consumption is expected to be upgraded sharply. To deal with such situation, the Company and its subsidiary, Chimei Visual Technology Corp., have worked with each other permanently. In the future, the OMNI-FILM developed by Chimei Visual Technology Corp. will be applied to the external layer of the polarizer to meet the needs for 8K4K low-power consumption polarizer and resolve the energy consumption issue raised by customers.
b. With the existing equipment and technology power, the Company actively engages in developing new multiple film material solution for applying on LCDs, by which to develop new products other than polarizers!

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(10) Effect upon and risk to the Company in the event a major quantity of shares held by a director (including independent director), or a major shareholder with more than 10% shareholding has been transferred or changed hands, and measures to be taken in response:

1. The major shareholder, Chimei Corporation, had shareholdings of 14.88% in 2017 (until December 31, 2017). Notwithstanding, until April 24, 2018 (date of suspension of stock transfer), its shareholdings has declined to 4.83%.
2. Chimei Corporation is the Company’s major shareholder. It disposed of equity primarily for enriching its operating funds. Upon evaluation, its disposition of equity should be considered as having no direct effect to the Company’s finance and business.

(11) Effect upon and risk to Company associated with any changes in governance personnel or top management, and measures to be taken in response: none.

(12) Litigation and non-litigation matters: List major litigation, non-litigation administrative disputes that involve the Company and/or any of the Company’s directors (including independent directors), presidents, any persons with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

1. The lawsuits, non-litigation cases, administrative litigation that are decided by the court or still pending in the most recent two years until the date of publication of the annual report, which could materially affect shareholders' equity or the prices of the Company's securities: none.
2. The Company’s directors (including independent directors), presidents, any persons with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 per cent, and any company or companies controlled by the Company that is involved in the lawsuits, non-litigation cases, administrative litigation that are decided by the court or still pending in the most recent two years until the date of publication of the annual report which could materially affect shareholders' equity or the prices of the Company's securities: None.

(13) Other important risks, and measures to be taken in response: none.

7. Other important matters: none.

VIII. Special items to be included

1. Information related to the Company's affiliates:

(1) Overview of affiliates:

1. Affiliates' Organizational Chart:

Data date: March 31, 2018

Chimei Materials Technology Corp.

Chimei Materials Technology Corp. (Samoa)
Shareholding ratio: 100%
Region: Samoa
Business items: holding company
Initial investment amount: US$13,300 thousand
Shares held: — (limited company)

Chimei Materials Technology Corp. (Ningbo)
Shareholding ratio: 100%
Region: Ningbo, China
Business items: Polarizer cutting, visual examination and packaging
Initial investment amount: US$13,300 thousand
Shares held: — (limited company)

Chimei Visual Technology Corp.
Shareholding ratio: 68.33%
Region: Tainan, Taiwan
Electronic spare parts manufacturing, optical instruments manufacturing,
Electronic materials retail and wholesale, *et al.*
Initial investment amount: US$205,000 thousand
Shares held: 20,500 thousand shares

Chimei Materials Investment Co., Ltd.
Shareholding ratio: 100%
Region: Samoa
Business items: holding company
Initial investment amount: US$73,500 thousand
Shares held: — (limited company)

Chimei Materials Technology Corp. (Kunshan)
Shareholding ratio: 49% (Note)
Region: Kunshan City, Jiangsu Province, China
Business items: Polarizer-related R&D, manufacturing and sale
Initial investment amount: US$150 million
Shares held: — (limited company)
Note: The Company's Board of Directors resolved on October 20, 2015 that Kunshan Development Zone Investment Holdings Limited and Kunshan Economic and Technological Development Zone Industrial Development Limited would transfer the fund totaling US$5,871 already invested by them, *i.e.* 3.91% of the shares, and the fund totaling NT$70,629 thousand not yet invested by them, *i.e.* 47.09% of the shares, (totaling 51% shares) to Hangzhou Jinjiang Group (Jinjiang Group), holding 46%, and Zhejiang Renyuan Import and Export Co., Ltd. (Renyuan Co., Ltd.), holding 5%. Until May 16, 2016, Jinjiang Group and Renyuan Co., Ltd. have invested US$69,000 thousand and US$7,500 thousand. The paid-in capital of Chimei Materials Technology Corp. (Kunshan) is US$150,000 thousand, *i.e.* 100% of the registered capital. Until December 31, 2016, the fund invested by the Company has been US$73,500 thousand, and the Company's shareholding ratio has been 49%.

Chimei Materials Investment Co., Ltd. (Kunshan)
Shareholding ratio: 100%
Region: Kunshan City, Jiangsu Province, China
Business items: Trading and trading of polarizer
Initial investment amount: RMB 50,000 thousand.
Shares held: — (limited company).

Xi'an Jinyao Hongtai New Material Technology Co., Ltd.
shareholding ratio: 100%
Location:Xi'an, Shanxi Province.
Business Item: production and selling of electronic materials
Initial investment amount: RMB 0 thousand.
Shares held: — (limited company).

Chimei Materials Investment Corp.
Shareholding ratio: 100%
Region: Tainan, Taiwan
Business items: investment
Initial investment amount: US$50,000 thousand
Shares held: 5,000 thousand shares

Chi Tasi Trading Co., Ltd.
Shareholding ratio: 100%
Region: Tainan, Taiwan
Business items: Electronic materials and instruments retail and wholesale
Initial investment amount: US$1,000 thousand
Shares held: 100 thousand shares

2. Basic information of affiliates

March 31, 2018

Date of business	Date of incorporation	Address	Paid-in capital	Scope of business/production
Chimei Materials Technology Corp.(Samoa)	2005.12.08	Offshore Chambers P.O. Box 217, Apia, Samoa	USD13,300 thousand	Holdings company
Chimei Visual Technology Corp.	2010.09.10	No. 13, Mushangang West Road, Shanhua District, Tainan City	NTD300,000 thousand	Production and selling of electronic materials
Chimei Materials Technology Corp. (Ningbo)	2006.02.06	No. 3, Alishan Road, Ningbo Export Processing Zone, China	USD13,300 thousand	Production and selling of electronic materials
Chimei Materials Investment Co., Ltd.	2014.03.07	TMF Chambers, P. O. Box 3269,Apia,Samoa	USD73,500 thousand	Holdings company
Chimei Materials Investment Co., Ltd. (Kunshan)	2014.04.14	No. 111, Jian Hu Road, Kunshan Economic and Technical Development Zone	RMB50,000 thousand	Trading and trading of polarizer
Chimei Materials Technology Corp. (Kunshan)	2014.05.13	No. 111, Jian Hu Road, Kunshan Economic and Technical Development Zone	RMB948,460 thousand	Polarizer-related R&D, manufacturing and sale
Chimei Materials Investment Corp.	2015.06.26	1F, No. 392, Jinhua Road, Sec. 1, South District, Tainan City	NTD50,000 thousand	Engaged in investing activities
Chi Tasi Trading Co., Ltd.	2017.01.12.	No. 13, Mushangang West Road, Shanhua District, Tainan City	NTD 1,000 thousand	Trading business
Xi'an Jinyao Hongtai New Material Technology Co., Ltd.	2017.10.30	No. 19, Floor 2, Caotang Technology Industry Base, Gaoxin District, Xian City, Shanxi Province	0 thousand	Production and selling of electronic materials

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

March 31, 2018

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

4. Information of directors, supervisors and presidents of the Company's affiliates:

March 31, 2018 / Unit: shares

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

Date of business	Job title	Name or representative	Shares held	
			shares	Shareholding ratio %
Xi'an Jinyao Hongtai New Material Technology Co., Ltd.	Executive Director	Yuan Huang	Note 1	Note 5
	President	Bin-Hua Yen		
	Supervisor	Xiu Yun Du		

Note 1: A limited company

Note 2: Indirect subsidiary, with shareholding 100% indirectly

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

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

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

<II> Overview of business of various affiliates

1. Overview of business of various affiliates:

December 31, 2017; Unit: NT$ thousand

Date of business	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income after tax for the current period	Earnings per share (EPS) (dollars)
Chimei Materials Technology Corp.	6,657,285	15,079,609	3,733,879	11,345,730	8,297,621	(808,467)	(1,226,260)	(2.18)
Chimei Materials Technology Corp.(Samoa)	431,482	847,061	151	846,910	-	(62)	(171,831)	
Chimei Materials Technology Corp. (Ningbo)	585,097	2,817,329	1,970,396	846,933	5,328,757	(212,190)	(171,772)	Note 2
Chimei Visual Technology Corp.	300,000	151,470	35,443	116,027	84,192	(28,896)	(29,737)	(0.99)
Chimei Materials Investment Co., Ltd.	2,230,328	1,825,684	280	1,825,404	-	(42)	(304,957)	Note 2
Chimei Materials Investment Co., Ltd. (Kunshan)	Note 1	947,309	704,592	242,717	1,761,225	39,734	13,323	Note 2
Chimei Materials Technology Corp. (Kunshan)	4,695,844	9,599,814	5,873,966	3,725,848	1,475,103	(779,557)	(622,275)	Note 2
Chimei Materials Investment Corp.	50,000	26,023	-	26,023	-	(35)	(3,862)	
Chi Tasi Trading Co., Ltd.	10,000	975		975		(26)	(25)	

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

Note 2: A limited company

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

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

Unit: in NT$ thousand unless otherwise specified

No.	Company name of endorser/guarantor	Endorsee/guarantee		Limit of endorsement/ guarantee made to a single enterprise (Note 3 and Note 4)	Highest endorsement	Balance of endorsements and guarantees at period end	Actual drawdown	Endorsement/ guarantee secured by property	Accumulated endorsement/guarantee to the net worth in the most recent financial statements	Highest limit of endorsements and guarantees (Notes 3 and 4)	Endorsement/ guarantee made by parent company to subsidiary	Endorsement/ guarantee made by subsidiary to parent company	Endorsement/ guarantee to territories of Mainland China
		Company name	Relationship										
0	The Company	Chimei Materials Technology Corp. (Kunshan)	Note 1	$ 5,672,865	$ 2,814,800 USD94,583,000	$ 2,814,800 USD94,583,000	$ 1,290,542 USD43,365,000	$ -	24.81%	$ 11,345,730	Yes	No	Yes
1	Chimei Materials Technology Corp. (Kunshan)	Chimei Materials Trading Corp. (Kunshan)	Note 2	$ 2,235,509	$ 1,826,000 RMB400,000,000	$ 1,826,000 RMB400,000,000	$755,174 RMB165,427,000	$ -	49.01%	$ 3,725,848	Yes	No	Yes

Note 1: The relation between the endorsements and guarantees and the Company is the company endorsed and guaranteed by each shareholder with its shareholding due to the mutual investment relation.
Note 2: Parent companies who directly hold shares or indirectly hold more than 50% of the common shares via subsidiaries
Note 3: The total endorsement/guarantee shall be no more the Company’s net worth for the current period, according to the “Endorsement and Guarantee Procedures.” The endorsement/guarantee to any single enterprise shall be no more than 50% of the net worth for the current period.
Note 4: The total endorsement/guarantee shall be no more the Company’s net worth for the current period, according to the “Endorsement and Guarantee Procedures” of Chimei Materials Technology Corp. (Kunshan). The endorsement/guarantee to any single enterprise shall be no more than 60% of the net worth for the current period.

(2) Lending:

Lending to others
January 1, 2017 to December 31, 2017

Unit: unless otherwise specified
, in NT$ thousand

No.	Lender	Borrower	Transaction	Stakeholder or not	Highest balance for the current period	Balance at ending	Actual drawdown	Interest rate range	Characteristics of lending	Transaction amount	Reason for short term loan	Provision of allowance for doubtful accounts	Collateral		Limit of lending to counterpart	Total limit of lending
													Name	Value		
1	Chimei Materials Technology Corp. (Kunshan)	Chimei Materials Trading Corp. (Kunshan)	Other account receivables—stakeholder	Yes	$ 455,100 RMB100,000,000	$ - RMB -	$ - RMB -	4.35%	Short-term loan	$ -	For revolving fund	$ -	N/A	$ -	$1490,339 (Note 1)	$2,235,509 (Note 2)

Note 1: The lending by Chimei Materials Technology Corp. (Kunshan) to any individual counterpart shall be no more than 40% of the net worth for the current period.
Note 2: The total lending by Chimei Materials Technology Corp. (Kunshan) shall be no more than 60% of the net worth for the current period.

(3). Information about derivative trading: Forward exchange contract $ 349

<III> Consolidated financial statements of affiliates: Appendix A (p.100~p.174).

<IIII> Affiliation reports:
1.Statement

Declaration of Consolidated Financial Statements of Affiliates

The Company is required to prepare consolidated financial statementsfor year 2017 (from January 1 to December 31, 2017) with its subsidiaries under the “Standards for the Preparation of Consolidated Report on Operation, Consolidated Financial Statements, and Report on Affiliations between Parent and Subsidiaries.” Subsidiaries to be included into the consolidated financial statements of the affiliates are identical with those to be included into the consolidated financial statements of parent and subsidiaries under IFRS 10, and operation performance of such subsidiaries has been included in the disclosure of the aforementioned consolidated financial statements of parent and subsidiaries and therefore will not be prepared separately.

Issued by:

Company name: Chimei Materials Technology Corp.

Responsible person: Jau-Yang Ho

March19, 2018

2. Relationship between the controlling company and its subordinates: none.
3. Information on transactions between the controlling companies and its subordinates:
(1) Purchase (sales) transactions: none.
(2) Property transaction: none.
(3) Lending transaction:

The Board of Directors of Chimei Materials Technology Corp. agreed that Chimei Materials Technology Corp. (Kunshan), of which it held the shareholding of 49%, lent to its wholly owned Chimei Materials Trading Co., Ltd. (Kunshan) on October 20, 2016. In September 2017, Chimei Materials Trading Co., Ltd. (Kunshan) has repaid the loan in advance, and had no other lending as of December 31, 2017.

(4) Assets leasing: none.
(5) Other important transactions (e.g. production, marketing and processing contract, acquisition of corporate bonds issued by the controlling company, or subscription for the new shares issued by the controlling company which were waived by the original shareholders): none.
(6) Endorsements and guarantees:

The Board of Directors of Chimei Materials Technology Corp. agreed to make endorsement/guarantee for the bank loan borrowed by Chimei Materials Technology Corp. (Kunshan) subject to the shareholding of 49% on August 10, 2016. The balance on December 31, 2017 was NT$ 2,814,800 thousand. The actual drawdown was NT$ 1,290,542 thousand.

The Board of Directors of Chimei Materials Technology Corp. agreed that Chimei Materials Technology Corp. (Kunshan), of which it held the shareholding of 49%, made endorsement/guarantee for the bank loan borrowed by its wholly owned Chimei Materials Trading Co., Ltd. (Kunshan) on December 20, 2017. The balance at the end of period was NT$ 1,826,000 thousand. The actual drawdown was NT$ 755,174 thousand.

(7) Other matters of financial or operational significance:

The Company is required to prepare consolidated financial statements for year 2017 (from January 1 to December 31, 2017) with its subsidiaries under the "Standards for the Preparation of Consolidated Report on Operation, Consolidated Financial Statements, and Report on Affiliations between Parent and Subsidiaries". Subsidiaries to be included in the consolidated financial statements are identical and operation performance of such subsidiaries has been included in the disclosure of the aforementioned consolidated financial statement between parent and subsidiaries and therefore will not be prepared separately.

2. Status of private placement of securities in the most recent year and until the date of publication of the annual report: None.

3. Holding or disposal of shares in the Company by the Company's subsidiaries in the most recent year and until the date of publication of the annual report: None.

4. Other matters that require additional description: None.

IX. Other disclosures

Significant issues which might affect shareholders' equity or price of shares pursuant to paragraph 2(2) of Article 36 of the Securities and Exchange Act in the most recent year and up to the publication of the annual report: None.

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 assesment 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	
ASSETS	**Amount**	**%**	**Amount**	**%**
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)	1,192,073	5	827,578	4
Total current assets	11,697,051	50	10,476,597	51
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)	439,711	2	427,768	2
Total non-current assets	11,761,540	50	10,126,195	49
TOTAL	$ 23,458,591	100	$ 20,602,792	100
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)	25,004	-	32,059	-
Total current liabilities	10,177,149	43	7,520,416	37
NON-CURRENT LIABILITIES				
Long-term bank loans (Note 16 and 30)	-	-	-	-
Deferred tax liabilities (Notes 4, 5 and 23)	-	-	82,759	-
Guarantee deposits	171	-	85	-
Total non-current liabilities	171	-	82,844	-
Total liabilities	10,177,320	43	7,603,260	37
EQUITY ATTRIBUTABLE TO THE OWNERS OF CMMT (Notes 4 and 21)				
Share capital				
Common shares	6,657,285	28	5,157,285	25
Capital surplus	856,768	4	453,761	2
Retained earnings				
Legal reserve	1,085,124	5	1,085,124	5
Special reserve	202,973	1	36,849	-
Unappropriated earnings	2,789,804	12	4,182,188	21
	4,077,901	18	5,304,161	26
Other equity	(246,224)	(1)	(202,973)	(1)
Total equity attributable to the owners of CMMT	11,345,730	49	10,712,234	52
NON-CONTROLLING INTERESTS (Notes 4 and 21)	1,935,541	8	2,287,298	11
Total equity	13,281,271	57	12,999,532	63
TOTAL	$ 23,458,591	100	$ 20,602,792	100

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

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)	12,189,884	106	11,170,927	108
GROSS LOSS	(749,112)	(6)	(796,755)	(8)
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	440,846	4	338,671	4
Total operating expenses	922,011	8	775,613	8
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 34)	-	-	(33,870)	-
LOSS FROM OPERATIONS	(1,671,123)	(14)	(1,606,238)	(16)
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	(126,827)	(1)	(14,639)	-
Total non-operating income and expenses	(11,794)	-	62,767	1
LOSS BEFORE INCOME TAX	(1,682,917)	(14)	(1,543,471)	(15)
INCOME TAX BENEFITS (Notes 4, 5 and 23)	(132,891)	(1)	(59,609)	(1)
NET LOSS FOR THE YEAR	(1,550,026)	(13)	(1,483,862)	(14)
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)	(28)	-	(11,145)	-
Other comprehensive loss for the year, net of income tax	(72,660)	(1)	(426,470)	(4)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (1,622,686)	(14)	$ (1,910,332)	(18)

(Continued)

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 LOSS ATTRIBUTABLE TO:				
Owners of CMMT	$ (1,226,260)	(11)	$ (1,483,921)	(14)
Non-controlling interests	(323,766)	(3)	59	-
	$ (1,550,026)	(14)	$ (1,483,862)	(14)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of CMMT	$ (1,269,892)	(11)	$ (1,794,388)	(17)
Non-controlling interests	(352,794)	(3)	(115,944)	(1)
	$ (1,622,686)	(14)	$ (1,910,332)	(18)
LOSS PER SHARE (Note 24)				
Basic loss per share	$ (2.18)		$ (2.88)	
Diluted loss per share	$ (2.18)		$ (2.88)	

The accompanying notes are an integral part of the consolidated financial statements. (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				
	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	Total	Non-controlling Interests	Total Equity
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	665,729	$ 6,657,285	$ 856,768	$ 1,085,124	$ 202,973	$ 2,789,804	$ (246,224)	$ -	$ 11,345,730	$ 1,935,541	$ 13,281,271

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

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	(1,690,546)	(1,029,136)
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	21,550	44,747
Net cash used in investing activities	(1,833,860)	(2,698,154)
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	-	2,234,575
Net cash generated from financing activities	3,706,858	5,154,171
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(26,676)	(17,508)
NET INCREASE IN CASH AND CASH EQUIVALENTS	155,776	1,409,373
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,341,520	2,932,147
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 4,497,296	$ 4,341,520

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

1. GENERAL INFORMATION

Chi Mei Materials Technology Corporation (CMMT) was incorporated in the Republic of China (ROC) on May 17, 2005. CMMT and its subsidiaries (collectively referred to as the Corporation) specializes in manufacturing optoelectronic materials and components (polarizing film). CMMT's main business activities include the manufacture and sale of polarizing films. On October 24, 2011, CMMT's shares were listed on the Taiwan Stock Exchange (TWSE).

Since September 2017, CMMT's common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol "US16935L1098" in the form of global depositary shares.

The consolidated financial statements are presented in CMMT's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the board of directors on March 19, 2018.

3. APPLICATION OF NEW/REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Corporation's accounting policies:

   1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

      The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which an impairment loss has been recognized or reversed is the fair value less costs of disposal, the Corporation is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendment will be applied retrospectively starting from January 1, 2017.

2) Annual Improvements to IFRSs 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combinations with acquisition dates on or after January 1, 2017. Refer to Note 26 for information on business combinations that occurred in 2017.

The amended IFRS 8 requires the Corporation to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 “Related Party Disclosures” was amended to clarify that a management entity providing key management personnel services to the Corporation is a related party of the Corporation. Consequently, the Corporation is required to disclose as related party transactions the amounts incurred for the services paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3 and IFRS 13, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The amendments stipulate that an entity should use appropriate depreciation and amortization methods to reflect the pattern in which the future economic benefits of property, plant and equipment and intangible assets are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which an intangible asset is expressed as a measure of revenue (for example, a contract that specifies that the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated.

5) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of the impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Corporation, or is the spouse or second immediate family of the chairman of the board of directors or president of the Corporation are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Corporation has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Corporation's respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively starting from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 31 for related disclosures.

b. Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Corporation’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments” and related amendment

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Corporation may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Corporation elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

Impact on Assets, Liabilities and Equity	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Other financial assets	$ 273,539	$ (273,539)	$ -
Financial assets measured at amortized cost - current	-	273,539	273,539
Total effect on assets	$ 273,539	$ -	$ 273,539

2) IFRS 15 "Revenue from Contracts with Customers" and the related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Corporation recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Corporation satisfies a performance obligation.

In addition, the Corporation will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The anticipated effect of retrospectively applying IFRS 15 is detailed below:

Impact on Assets, Liabilities and Equity	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
December 31, 2017			
Provisions - current	$ 9,564	$ (9,564)	$ -
Advance receipts	9,479	(9,479)	-
Contract liabilities	-	-	19,043
Total effect on liabilities	$ 19,043	$ (19,043)	$ 19,043

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Corporation expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Corporation should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type; and, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Corporation’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Corporation will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Corporation shall apply these amendments to any plan amendment, curtailment or settlement occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Corporation is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Corporation may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Corporation should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Corporation as lessor.

When IFRS 16 becomes effective, the Corporation may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Corporation has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Corporation shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of CMMT and its subsidiaries.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by CMMT.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of CMMT and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Corporation and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of CMMT.

When the Corporation loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Corporation accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

See mm 11 and Table 7 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Corporation's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

In preparing these financial statements of each individual group entity, transactions in currencies other than the Corporation's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings related to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries in other countries that use currency different from the currency of CMMT) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of CMMT and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of CMMT are reclassified to profit or loss.

g. Inventories

Inventories consist of commodities, raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Corporation disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

a) Measurement categories

   Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

   i. Financial assets at fair value through profit or loss

      Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or is designated as at fair value through profit or loss.

      Financial assets at fair value through profit or loss are stated at their fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

   ii. Available-for-sale financial assets

      Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

      Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

      Dividends on available-for-sale equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

   iii. Loans and receivables

      Loans and receivables (including accounts receivable and cash and cash equivalents) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

b) Impairment of financial assets

   Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

   For financial assets measured at amortized cost, such as accounts receivable and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable and other receivables where the carrying amount is reduced through the use of an allowance account. When accounts receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller’s reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials’ ownership.

2) Rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Income taxes

As of December 31, 2017 and 2016, the carrying amount of deferred tax assets in relation to unused tax losses and future deductible temporary differences was NT$462,442 thousand and NT$455,049 thousand, respectively. As of December 31, 2017 and 2016, no deferred tax asset has been recognized on tax losses and future deductible temporary differences of NT$401,788 thousand and NT$444,596 thousand, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Corporation takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Fair value measurements and valuation processes

If some of the Corporation's assets and liabilities measured at fair value have no quoted prices in active markets, the Corporation determines whether to engage third party qualified appraisers and determines the appropriate valuation techniques for the fair value measurements.

Where Level 1 inputs are not available, the Corporation or engaged appraisers would determine appropriate inputs by referring to market prices or rates and specific features of derivatives. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. The Corporation updates inputs quarterly to confirm the appropriateness of the fair value measurement.

d. Impairment of property, plant and equipment

The impairment of equipment in relation to production is based on the recoverable amounts of those assets, which is the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to a recognition of additional impairment losses or a reversal of impairment losses.

e. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

f. Control over subsidiaries

Note 11 describes that Kunshan Chimei Materials Technology Corp. ("KSCMMT") is a subsidiary of the Corporation although the Corporation only holds less than half of the voting power of KSCMMT. After considering the Corporation's absolute size of holding in KSCMMT and the contractual arrangements between the Corporation and other investors, potential voting interests and other factors, management concluded that the Corporation has a sufficiently dominant voting interest to direct the relevant activities of KSCMMT, and therefore, the Corporation has control over KSCMMT.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 586	$ 726
Checking accounts and demand deposits	4,182,130	1,861,558
Cash equivalents		
Time deposits with original maturities of less than 3 months	314,580	2,350,236
Repurchase agreements collateralized by bonds	-	129,000
	$ 4,497,296	$ 4,341,520

The market rate intervals of cash in the bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Bank deposits	0.001%-1.89%	0.001%-2.01%
Repurchase agreements collateralized by bonds	-	1.35%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	**2016**
Financial assets at FVTPL - current		
Financial assets designated as at FVTPL		
Structured deposit (a)	$ -	$ 167,266
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (b)	$ 349	$ 19,822

a. The Corporation entered into a three-month structured time deposit contract with the bank in 2016. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract.

b. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2017			
Sell	USD/JPY	2018.01.09	USD 10,000/JPY 1,125,100
December 31, 2016			
Sell	USD/JPY	2017.01.05-2017.02.09	USD 22,000/JPY 2,502,460

The Corporation entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Domestic investments		
Mutual funds	$ -	$ 12,028

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable	$ 484,392	$ -
Notes receivable - related parties	4,565	-
	$ 488,957	$ -
Accounts receivable	$ 3,062,933	$ 2,981,461
Less: Allowance for impairment loss	-	(1,523)
	$ 3,062,933	$ 2,979,938
Other receivables	$ 178,875	$ 124,574
Other receivables - related parties	12,422	5
Less: Allowance for impairment loss	(18,215)	(18,215)
	$ 173,082	$ 106,364

a. Notes receivables

There are no notes receivable of the Corporation which are past due, and after an assessment of the uncertainty of collectability of receivables, there is no need to make a provision for doubtful debts.

b. Accounts receivable

The average credit period of sales of goods was between 90 and 120 days. In determining the recoverability of an account receivable, the Corporation considered any change in the credit quality of the account receivable since the date credit was initially granted to the end of the reporting period. The Corporation recognized an allowance for impairment loss of 100% against all receivables over 120 days because historical experience was that receivables that are beyond 120 days past due were not recoverable. An allowance for impairment loss was recognized against accounts receivable between 60 and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial positions.

For the accounts receivable balances that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Corporation did not hold any collateral or other credit enhancements for these balances.

The aging of accounts receivable was as follows:

	December 31	
	2017	**2016**
Not past due	$ 3,551,890	$ 2,981,461
Less than 61 days	-	-
61-90 days	-	-
91-120 days	-	-
More than 120 days	-	-
	$ 3,551,890	$ 2,981,461

The above aging schedule was based on the past due days from the end of the credit term.

The movements of the allowance for doubtful accounts receivable were as follows:

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2016	$ -	$ -	$ -
Add: Impairment losses recognized on receivables	1,523	-	1,523
Balance at December 31, 2016	1,523	-	1,523
Less: Amounts written off during the year as uncollectible	(1,523)	-	(1,523)
Balance at December 31, 2017	$ -	$ -	$ -

The Corporation recognized an impairment loss on accounts receivable amounting to NT$0 and NT$1,523 thousand for the years ended December 31, 2017 and 2016, respectively. This amount is mainly related to customers that were experiencing severe financial difficulties. The Corporation did not hold any collateral over these balances.

c. Other receivables

The movements of the allowance for doubtful other receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1 and December 31, 2017 and 2016	$ 18,215	$ -	$ 18,215

10. INVENTORIES

	December 31	
	2017	2016
Commodities	$ 11,408	$ -
Finished goods	429,139	576,187
Work in progress	633,761	367,820
Raw materials	1,208,402	1,097,896
	$ 2,282,710	$ 2,041,903

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was NT$12,189,884 thousand and NT$11,170,927 thousand, respectively.

The cost of goods sold included write-downs of inventories and reversals of write-downs of inventories which were as follows:

	December 31	
	2017	2016
(Reversal of) write-down of inventories	$ (2,182)	$ 241,593

The provision for inventory write-downs was reversed when the related inventory items were sold.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Proportion of Ownership December 31		
Investor	Investee	Nature of Activities	2017	2016	Remark
CMMT	Chimei Materials Technology (SAMOA) Corp. ("CMMTS")	Investment company	100%	100%	-
	Chi Mei Visual Technology Corporation ("CMVT")	Electronic component manufacture and sale	68.33%	68.33%	-
	Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Investment company	100%	100%	-
	Chi Tsai Investment Co., Ltd. ("CTI")	Investment company	100%	100%	-

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2017	2016	Remark
CMMT	Chi Tsai Trading Co., Ltd. ("CTT")	Trade	100%	-	1)
	Ki Kin Corporation ("KK")	Trade	-	-	2)
CMMTS	Ningbo Chi Mei Materials Technology Co., Ltd. ("NBCMMT")	Electronic component manufacture and sale	100%	100%	-
CMMTI	Kunshan Chimei Materials Technology Corp. ("KSCMMT")	Electronic component manufacture and sale	49%	49%	-
KSCMMT	Kunshan Chimei Materials Trading Corp. ("KSCMS")	Trade	100%	100%	-
CTI	Chi Mei Visual Technology Corporation ("CMVT")	Electronic component manufacture and sale	13%	13%	-

(Concluded)

Remarks:

1) CTT was incorporated in January 2017. The Corporation holds a 100% interest in CTT.

2) KK, whose original name was Jin Jiang Corporation ("JJ"), was invested in by Zhejiang Hengjie Co., Ltd. (ZH) in the amount of JPY23,000 thousand on June 29, 2016. ZH held a 100% interest in KK. On March 3, 2017, the Corporation injected JPY47,000 thousand into JJ, which raised the Corporation's percentage of ownership over KK to 67.14%. The investment is to reduce the cost of purchasing raw materials. However the economic returns are not as expected. The Corporation sold alll of its shares to ZH at JPY47,000 thousand on December 25,2017. Refer to Note 26 and 27.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2017	2016
Kunshan Chimei Materials Technology Corp. ("KSCMMT")	51%	51%

See Table 7 following the Notes to Consolidated Financial Statements for information on the place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31 2017	2016	Accumulated Non-controlling Interests December 31 2017	2016
KSCMMT	$ (317,360)	$ 609	$ 1,900,183	$ 2,246,382
Others	(6,406)	(550)	35,358	40,916
	$ (323,766)	$ 59	$ 1,935,541	$ 2,287,298

Summarized financial information in respect of each of the Corporation's subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

KSCMMT:

	December 31	
	2017	**2016**
Current assets	$ 3,073,618	$ 2,202,529
Non-current assets	6,526,196	4,326,159
Current liabilities	(5,873,870)	(2,124,018)
Non-current liabilities	(96)	-
Equity	$ 3,725,848	$ 4,404,670
Equity attributable to:		
Owners of CMMT	$ 1,825,665	$ 2,158,288
Non-controlling interests of KSCMMT	1,900,183	2,246,382
	$ 3,725,848	$ 4,404,670
Revenue	$ 1,488,126	$ 51
Net loss for the year	$ (622,275)	$ (9,987)
Other comprehensive loss for the year	(56,548)	(350,636)
Total comprehensive loss for the year	$ (678,823)	$ (360,623)
Profit (loss) attributable to:		
Owners of CMMT	$ (304,915)	$ (10,596)
Non-controlling interests of KSCMMT	(317,360)	609
	$ (622,275)	$ (9,987)
Total comprehensive loss attributable to:		
Owners of CMMT	$ (332,623)	$ (211,413)
Non-controlling interests of KSCMMT	(346,200)	(149,210)
	$ (678,823)	$ (360,623)
Net cash (outflows) inflows from:		
Operating activities	$ (1,815,146)	$ (474,288)
Investing activities	(1,740,562)	(3,090,177)
Financing activities	2,624,007	4,146,318
Net cash (outflows) inflows	$ (931,701)	$ 581,853

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2016	$ 1,428,543	$ 3,624,337	$ 5,320,360	$ 61,316	$ 3,505,780	$ 249,127	$ 670,941	$ 14,860,404
Additions	-	24,229	60,023	6,253	48,008	6,787	3,144,752	3,290,052
Disposals	-	-	(216,427)	(4,197)	(24,252)	(24,063)	-	(268,939)
Effect of foreign currency exchange differences	-	(27,327)	(59,847)	(1,735)	(7,252)	(3,694)	(125,169)	(225,024)
Reclassification	-	1,875	265,138	3,232	33,496	6,946	488,641	799,328
Balance at December 31, 2016	$ 1,428,543	$ 3,623,114	$ 5,369,247	$ 64,869	$ 3,555,780	$ 235,103	$ 4,179,165	$ 18,455,821

(Continued)

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
Accumulated depreciation and impairment								
Balance at January 1, 2016	$ -	$ 1,016,412	$ 3,975,402	$ 36,412	$ 2,797,150	$ 191,039	$ -	$ 8,016,415
Disposals	-	-	(216,141)	(3,999)	(24,252)	(20,717)	-	(265,109)
Depreciation expenses	-	147,480	461,954	9,471	190,282	20,485	-	829,672
Effect of foreign currency exchange differences	-	(10,641)	(20,864)	(1,026)	(5,593)	(4,015)	(13,927)	(56,066)
Impairment loss	-	-	-	-	-	-	291,090	291,090
Balance at December 31, 2016	$ -	$ 1,153,251	$ 4,200,351	$ 40,858	$ 2,957,587	$ 186,792	$ 277,163	$ 8,816,002
Carrying amounts at December 31, 2016	$ 1,428,543	$ 2,469,863	$ 1,168,896	$ 24,011	$ 598,193	$ 48,311	$ 3,902,002	$ 9,639,819
Cost								
Balance at January 1, 2017	$ 1,428,543	$ 3,623,114	$ 5,369,247	$ 64,869	$ 3,555,780	$ 235,103	$ 4,179,165	$ 18,455,821
Additions	-	872,167	187,994	2,184	199,522	50,101	1,011,815	2,323,783
Disposals	-	-	(915)	(405)	-	(841)	-	(2,161)
Effect of foreign currency exchange differences	-	86,488	8,316	(196)	14,694	673	(33,947)	76,028
Reclassification	-	2,682,008	1,235,033	3,997	868,178	52,487	(4,747,614)	94,089
Balance at December 31, 2017	$ 1,428,543	$ 7,263,777	$ 6,799,675	$ 70,449	$ 4,638,174	$ 337,523	$ 409,419	$ 20,947,560
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ 1,153,251	$ 4,200,351	$ 40,858	$ 2,957,587	$ 186,792	$ 277,163	$ 8,816,002
Disposals	-	-	(559)	(404)	-	(841)	-	(1,804)
Depreciation expenses	-	280,546	395,592	9,068	254,918	27,918	-	968,042
Effect of foreign currency exchange differences	-	401	(1,308)	(119)	139	(366)	(3,122)	(4,375)
Balance at December 31, 2017	$ -	$ 1,434,198	$ 4,594,076	$ 49,403	$ 3,212,644	$ 213,503	$ 274,041	$ 9,777,865
Carrying amounts at December 31, 2017	$ 1,428,543	$ 5,829,579	$ 2,205,599	$ 21,046	$ 1,425,530	$ 124,020	$ 135,378	$ 11,169,695

(Concluded)

According to the Contract for State - Owned Construction Land Use Right Assignment between NBCMMT and Ningbo Municipal Bureau of National Land and Resource, the Corporation's construction of industrial land should meet the requirements of production, tax revenue, and import and export quotas. However, due to the changing business strategy for the production system in 2016, the Corporation might not meet all of the requirements. The Corporation assessed that the carrying amount of the construction in progress related to buildings and factories would not be recoverable, which led to the recognition of an impairment loss of NT$291,090 in operating costs in the consolidated statements of comprehensive income for the year ended December 31, 2016.

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20-25 years
Engineering systems	25 years
Others	15 years
Machinery and equipment	5-10 years
Office equipment	3-5 years
Factory equipment	8-10 years
Miscellaneous equipment	2-10 years

13. GOODWILL

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 8,056	$ 8,056
Additional amounts recognized from business combinations occurring during the year (Note 26)	873	-
Disposal of subsidiaries (Note 27)	(873)	-
Balance at December 31	$ 8,056	$ 8,056

14. OTHER INTANGIBLE ASSETS

	Computer Software	Core Technology	Licenses and Franchises	Total
Cost				
Balance at January 1, 2016	$ 50,420	$ 47,000	$ 9,200	$ 106,620
Additions	19,281	-	-	19,281
Effect of foreign currency exchange differences	(176)	-	-	(176)
Balance at December 31, 2016	$ 69,525	$ 47,000	$ 9,200	$ 125,725
Accumulated amortization				
Balance at January 1, 2016	$ 39,370	$ 16,842	$ 2,760	$ 58,972
Amortization expenses	9,685	4,700	1,840	16,225
Effect of foreign currency exchange differences	(24)	-	-	(24)
Balance at December 31, 2016	$ 49,031	$ 21,542	$ 4,600	$ 75,173
Carrying amounts at December 31, 2016	$ 20,494	$ 25,458	$ 4,600	$ 50,552
Cost				
Balance at January 1, 2017	$ 69,525	$ 47,000	$ 9,200	$ 125,725
Additions	29,760	-	-	29,760
Retirement	(27,289)	-	-	(27,289)
Reclassification	41,937	-	-	41,937
Effect of foreign currency exchange differences	(32)	-	-	(32)
Balance at December 31, 2017	$ 113,901	$ 47,000	$ 9,200	$ 170,101

(Continued)

	Computer Software	Core Technology	Licenses and Franchises	Total
Accumulated amortization				
Balance at January 1, 2017	$ 49,031	$ 21,542	$ 4,600	$ 75,173
Amortization expenses	27,986	4,700	1,840	34,526
Retirement	(27,289)	-	-	(27,289)
Effect of foreign currency exchange differences	115	-	-	115
Balance at December 31, 2017	$ 49,843	$ 26,242	$ 6,440	$ 82,525
Carrying amounts at December 31, 2017	$ 64,058	$ 20,758	$ 2,760	$ 87,576

(Concluded)

Other intangible assets were depreciated on a straight-line basis over the estimated useful lives as follows:

Computer Software	1-3 years
Core Technology	10 years
Licenses and Franchises	5 years

15. OTHER ASSETS

	December 31	
	2017	2016
Current		
Offset against business tax payables	$ 540,741	$ 313,139
Prepayments	269,272	282,733
Pledged time deposits (a) (Note 31)	265,739	134,032
Temporary payments	102,720	56,205
Other financial assets (b)	7,800	4,800
Prepayments for leases	5,765	5,929
Payments on behalf of others	36	30,740
	$ 1,192,073	$ 827,578
Non-current		
Prepayments for purchase of equipment	$ 165,706	$ 153,602
Prepayments for leases	257,297	265,837
Refundable deposits	14,202	4,457
Others	2,506	3,872
	$ 439,711	$ 427,768

a. The market rate intervals of pledged time deposits were 1.10%-1.76% and 1.21%-1.65% as of December 31, 2017 and 2016, respectively.

b. The market rate intervals of time deposits (investments with original maturities of more than three months) were 1.04% and 0.91%-1.04% as of December 31, 2017 and 2016, respectively.

16. LOANS

a. Short-term bank loans

	December 31	
	2017	2016
Unsecured loans		
Line of credit loans	$ 3,813,259	$ 3,451,626

The range of weighted average effective interest rates on bank loans was 0.68%-5.25% and 0.56%-1.98% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

	December 31	
	2017	2016
Commercial paper	$ 100,000	$ -

The interest rate on commercial paper was 0.88% per annum as of December 31, 2017.

c. Long-term bank loans

	December 31	
	2017	2016
Unsecured loans		
Syndicated loans: Lead bank - Bank of Taiwan Repayable quarterly on interest from September 23, 2016; repayable from March 23, 2019 to September 23, 2021; annual floating interest rate at 3.81% and 3.10%-3.45% in 2017 and 2016, respectively	$ 2,639,833	$ 1,345,181
Less: Reclassified as current portion due to breaching certain terms of long-term loan agreement	2,639,833	1,345,181
Long-term bank loans	$ -	$ -

The above long-term bank loans agreement requires the maintenance of certain financial ratios based on CMMT's consolidated annual financial statements. The related restrictions are as follows:

1) Current ratio: At least 100%;

2) Debt ratio: No more than 100%;

3) Interest coverage ratio: At least 3; and

4) Tangible net worth: At least NT$10,000,000 thousand.

During 2017 and 2016, the Corporation breached certain terms of its long-term loan agreement, which are primarily related to the interest coverage ratio of the Corporation. As of December 31, 2017 and 2016, the carrying amount of the bank loan was NT$2,639,833 thousand and NT$1,345,181 thousand, respectively. On discovery of the breach, management informed the lender and commenced renegotiation of the terms of the loan with the relevant banker. Since the lender has not agreed to waive its right to demand immediate payment at the end of the reporting period, the loan was classified as a current liability at December 31, 2016. Up to the date of approval of issuance of the consolidated financial statements, the negotiations were still in progress. Management is confident that its negotiations with the lender will ultimately succeed. Should the lender call for immediate repayment of the loan, management believes that adequate alternative sources of financing are available to ensure that there is no threat to the continuing operations of the Corporation.

17. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2017	**2016**
Notes payable		
Operating	$ 132,463	$ -
Accounts payable		
Operating	$ 1,974,351	$ 1,864,954

The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER LIABILITIES

	December 31	
	2017	**2016**
Current		
Other payables		
Payables for purchases of equipment	$ 933,040	$ 157,927
Payables for salaries or bonuses	261,173	235,698
Payables for annual leave	38,395	30,951
Payables for insurance premiums	16,642	17,898
Accrued taxes payable	16,505	6,951
Payables for interests	13,297	5,031
Payables for purchases of land or buildings	3,831	145,750
Payables for professional service fees	3,389	2,382
Others	194,475	202,103
	$ 1,480,747	$ 804,691
Other liabilities		
Advance receipts	$ 9,479	$ 6,644
Others	15,525	25,415
	$ 25,004	$ 32,059

19. PROVISIONS

	December 31	
	2017	2016
Current		
Customer returns and rebates	$ 9,564	$ 1,647

	Customer Returns and Rebates
Balance at January 1, 2017	$ 1,647
Additional provisions recognized	9,564
Usage	(1,647)
Balance at December 31, 2017	$ 9,564

The provision of customer returns and rebates was based on historical experience, management's judgments and other known reasons why estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

20. RETIREMENT BENEFIT PLANS

CMMT and CMVT of the Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. NBCMMT, KSCMMT and KSCMS make monthly contributions at certain percentages of the basic salary of their employees.

The Corporation recognized expenses of NT$43,779 thousand and NT$41,592 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016, respectively.

21. EQUITY

a. Share capital

	December 31	
	2017	2016
Numbers of shares authorized (in thousands)	700,000	600,000
Shares authorized	$ 7,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	665,729	515,729
Shares issued	$ 6,657,285	$ 5,157,285

In the extraordinary general meeting of shareholders on February 8, 2017, the shareholders proposed that authorized shares be changed to NT$7,000,000 thousand.

Fully paid common shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

On December 20, 2016, CMMT's board of directors approved to increase its capital by an issuance of 150,000 thousand shares of common shares by sponsoring the issuance of global depositary receipts (GDR), which was approved by the FSC. Each GDR represents 40 common shares, which have been listed on the SGX since September 12, 2017, with a per-unit issue price of USD17.31 and a total amount of USD64.9 million. As of December 31, 2017, the outstanding 1,691.5 thousand units of GDRs represented 67,660 thousand common shares.

The agreement clause of the GDR purchase stipulates the following:

1) Voting rights

Unless stipulated otherwise by applicable laws and regulations, the Bank of New York Mellon (the "Depositary") may exercise the voting rights associated with the underlying common shares represented by the GDRs on behalf of the holders of the GDRs in accordance with the Regulation S Deposit Agreement (the "Deposit Agreement") entered into by CMMT, the Depositary, and the individual holders of the GDRs as well as in accordance with the laws and regulations of the ROC.

2) Sale and withdrawal of the underlying common shares

The holders of the GDRs may request to withdraw and hold the common shares represented by the GDRs pursuant to relevant laws and regulation of the ROC and the Deposit Agreement; or the holders of the GDRs may request to withdraw and ask the Depositary to sell such withdrawn common shares on behalf of the holders of the GDRs and pay the sales proceeds after deducting tax and other relevant fees to the holders of the GDRs pursuant to relevant laws and regulation of the ROC and the Deposit Agreement.

3) Distribution of dividends, pre-emptive rights, and other interests

Unless otherwise provided in the Deposit Agreement, the holders of the GDRs shall be entitled to the same rights on dividends distribution or on other distributions as the holders of common shares of CMMT. If CMMT distributes share dividends or makes other share distributions in the future, the Depositary will, in accordance with the Deposit Agreement and the relevant laws and regulations, issue additional GDRs to the holders of the GDRs proportionately, increase the number of the common shares to be represented by each GDR unit, or sell such distributed shares on behalf of the holder of the GDRs and then pay the sales proceeds after deducting tax and other relevant fees to the holder of the GDRs on a pro rata basis.

b. Capital surplus

	December 31	
	2017	**2016**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Share premium	$ 803,494	$ 400,487
Purchase price and carrying amount differences arising from acquisition or disposal of subsidiaries	3,062	3,062
May only be used to offset a deficit (2)		
Changes in equity of subsidiaries	50,212	50,212
	$ 856,768	$ 453,761

1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

2) Such capital surplus arises from the effect of a change in an ownership interest in a subsidiary resulting from equity transactions other than an actual disposal or acquisition.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 20, 2016 and, in that meeting, resolved amendments to the CMMT's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses, and then 10% shall be set aside as a legal reserve. When such legal reserve amounts to the total paid-in capital, CMMT shall not be subject to this requirement. CMMT may then appropriate or reverse a certain amount as a 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 in the shareholders' meeting.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 22g, "Employee's compensation and remuneration of directors and supervisors".

CMMT's Articles also stipulate a dividend policy whereby, after taking into account CMMT's current and future development plan, investment environment, fund requirements, domestic and international competition, and the interests of shareholders, CMMT is to set aside no less than 20% of the distributable earnings as shareholders' dividends and bonuses. However, in the case where accumulated distributable earnings is less than 50% of paid-in capital, CMMT may choose not to distribute dividends. Dividends to common shareholders may be distributed by way of a combination of cash dividends and share dividends provided that the cash dividends shall not be less than 10% of the total dividends.

An appropriation of earnings to legal reserve shall be made until the legal reserve equals CMMT's paid-in capital. The legal reserve may be used to offset deficits. If CMMT has no deficit and the legal reserve has exceeded 25% of CMMT's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by CMMT.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by CMMT.

The appropriations of earnings for 2016 and 2015, which were approved in the shareholders' meetings on June 21, 2017 and June 20, 2016, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ -	$ 104,879		
Special reserve	166,124	-		
Cash dividends	-	257,864	$ -	$ 0.5

d. Special reserve

	For the Year Ended December 31	
	2017	**2016**
Beginning at January 1	$ 36,849	$ 36,849
Appropriations in respect of debits to other equity items	166,124	-
Balance at December 31	$ 202,973	$ 36,849

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ (202,996)	$ 96,357
Exchange differences on translating foreign operations	(43,609)	(299,353)
Gain reclassified to profit or loss on disposal of foreign operations	381	-
Balance at December 31	$ (246,224)	$ (202,996)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 23	$ 11,137
Unrealized gain arising on revaluation of available-for-sale financial assets	22	13,647
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(45)	(24,761)
Balance at December 31	$ -	$ 23

f. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 2,287,298	$ 221,941
Attributable to non-controlling interests:		
Share of (loss) profit for the year	(323,766)	59
Exchange difference arising on translation of foreign entities	(29,023)	(115,972)
Unrealized loss on available-for-sale financial assets	(5)	(31)
Non-controlling interests arising from acquisition of KK (see Note 26)	5,876	-
Non-controlling interest reduction arising from disposal of KK (see Note 27)	(4,839)	-
Disposal of non-controlling interests in subsidiaries	-	6,000
Purchase price and carrying amount differences arising from acquisition of subsidiaries	-	(3,062)
Changes in equity of subsidiaries	-	2,178,363
Balance at December 31	$ 1,935,541	$ 2,287,298

22. NET PROFIT (LOSS)

a. Other operating income and expenses

	For the Year Ended December 31	
	2017	2016
Net loss from disaster (Note 34)	$ -	$ (33,870)

b. Other income

	For the Year Ended December 31	
	2017	2016
Interest income	$ 21,474	$ 42,773
Government grants (Note 25)	5,758	10,766
Rental income	810	700
Others	19,848	36,775
	$ 47,890	$ 91,014

c. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net gain (loss) arising on financial assets and liabilities held for trading	$ 32,342	$ (102,166)
Net gain arising on financial assets designated as at FVTPL	19,136	6,598
Net foreign exchange gains	14,449	60,474
Gain on disposal of subsidiaries	1,303	-
Net gain on disposal of available-for-sale financial assets	45	24,761
Gain on disposal of property, plant and equipment	36	121
Others	(168)	(3,396)
	$ 67,143	$ (13,608)

d. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ (124,319)	$ (13,833)
Other finance costs	(2,508)	(806)
	$ (126,827)	$ (14,639)

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 21,896	$ 2,984
Capitalization rate	3.2%	0.85%

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 968,042	$ 829,672
Intangible assets	34,526	16,225
Prepayments for leases	5,551	6,219
	$ 1,008,119	$ 852,116
An analysis of deprecation by function		
Operating costs	$ 883,219	$ 774,865
Operating expenses	84,823	54,807
	$ 968,042	$ 829,672
An analysis of amortization by function		
Operating costs	$ 8,958	$ 2,908
General and administrative expenses	24,526	12,943
Research and development expenses	6,593	6,593
	$ 40,077	$ 22,444

f. Employee benefits expense

	For the Year Ended December 31	
	2017	**2016**
Post-employment benefits		
Defined contribution plans (Note 20)	$ 43,779	$ 41,592
Other employee benefits	1,637,179	1,483,970
Total employee benefits expense	$ 1,680,958	$ 1,525,562
An analysis of employee benefits expenses by function		
Operating costs	$ 1,364,171	$ 1,292,628
Operating expenses	316,787	232,934
	$ 1,680,958	$ 1,525,562

g. Employee's compensation and remuneration of directors and supervisors

CMMT accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. CMMT incurred a deficit for the years ended December 31, 2017 and 2016; thus, neither employees' compensation nor remuneration of directors and supervisors was estimated.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2015.

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the CMMT's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2017	**2016**
Foreign exchange gains	$ 482,362	$ 908,901
Foreign exchange losses	(467,913)	(848,427)
	$ 14,449	$ 60,474

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax benefits recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 4,560	$ 439
Income tax on unappropriated earnings	-	-
Adjustments for prior years	(985)	(1,142)
	3,575	(703)
Deferred tax		
In respect of the current year	(136,466)	(58,906)
Income tax benefits recognized in profit or loss	$ (132,891)	$ (59,609)

A reconciliation of accounting loss and income tax benefits recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2017	2016
Loss before tax from continuing operations	$ (1,682,917)	$ (1,543,471)
Income tax benefits calculated at the statutory rate	$ (426,117)	$ (416,693)
Nondeductible expenses in determining taxable income	872	471
Unrecognized deductible temporary differences	9,781	38,044
Unrecognized loss carryforwards	283,558	319,711
Adjustments for prior years' tax	(985)	(1,142)
Others	-	-
Income tax benefits recognized in profit or loss	$ (132,891)	$ (59,609)

The applicable tax rate used above is the corporate tax rate of 17% payable by group entities in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by NT$9,478 thousand in 2018.

b. Current tax assets and liabilities

	For the Year Ended December 31	
	2017	2016
Current tax liabilities		
Income tax payable	$ 435	$ 436

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Balance, Beginning of Year	Movements	Balance, End of Year
Deferred tax assets			
Temporary differences			
Unrealized loss on inventories	$ 70,800	$ (2,069)	$ 68,731
FVTPL financial assets	3,370	(3,311)	59
Deferred revenue	952	3,208	4,160
Unrealized foreign exchange gains	(51,687)	51,795	108
Provisions	575	1,499	2,074
Others	(13,557)	1,874	(11,683)
	10,453	52,996	63,449
Deferred tax liabilities			
Temporary differences			
Share of profit of associates accounted for using equity method	93,033	(86,265)	6,768
Others	179	-	179
	93,212	(86,265)	6,947
	$ (82,759)	$ 139,261	$ (56,502)

For the year ended December 31, 2016

	Balance, Beginning of Year	Movements	Balance, End of Year
Deferred tax assets			
Temporary differences			
Unrealized loss on inventories	$ 59,026	$ 11,774	$ 70,800
FVTPL financial assets	(1,076)	4,446	3,370
Deferred revenue	15,306	(14,354)	952
Unrealized foreign exchange gains	(3,990)	(47,697)	(51,687)
Provisions	1,673	(1,098)	575
Others	(15,629)	2,072	(13,557)
	55,310	(44,857)	10,453
Deferred tax liabilities			
Temporary differences			
Share of profit of associates accounted for using equity method	196,683	(103,650)	93,033
Others	292	(113)	179
	196,975	(103,763)	93,212
	$ (141,665)	$ 58,906	$ (82,759)

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2017	2016
Loss carryforwards		
Expire in 2019	$ 207	$ 207
Expire in 2020	7,453	7,453
Expire in 2021	245,641	38,616
Expire in 2022	52,328	52,328
Expire in 2023	35,846	35,846
Expire in 2024	16,480	16,480
Expire in 2025	4,767	4,767
Expire in 2026	1,166,927	1,128,895
Expire in 2027	559,251	-
	$ 2,088,900	$ 1,284,592
Deductible temporary differences	$ 1,073,470	$ 1,040,146

e. Information about unused loss carryforwards and tax exemptions

As of December 31, 2017, profit attributable to the following expansion project was exempted from income tax due to the Corporation funding the production of polarizing film used for flat panel displays:

Expansion of Construction Project	Tax-exemption Period
First time income tax exemption for construction project expansion	May 31, 2012 to May 30, 2017

f. Integrated income tax

	For the Year Ended December 31	
	2017	2016
Unappropriated earnings		
Generated on or after January 1, 1998	(Note)	$ 4,182,188
Shareholder-imputed credits account	(Note)	$ 568,411

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	(Note)	13.59%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

g. Income tax assessments

CMMT and CMVT's income tax returns through 2015 have been assessed by the tax authorities.

24. LOSS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	**2016**
Basic loss per share	$ (2.18)	$ (2.88)
Diluted loss per share	$ (2.18)	$ (2.88)

The loss and weighted average number of common shares outstanding in the computation of loss per share were as follows:

Net Loss for the Year

	For the Year Ended December 31	
	2017	**2016**
Loss used in the computation of basic and diluted loss per share	$ (1,226,260)	$ (1,483,921)

Weighted average number of common shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of common shares in the computation of basic and diluted loss per share	561,345	515,729

25. GOVERNMENT GRANTS

In August 2016, the Corporation applied for a government grant of NT$16,524 thousand towards its project related to an industrial upgrading innovation platform from the Institute for Information Industry. The period of the grant is from January 1, 2016 to June 30, 2017. The Corporation complied with the conditions attached to such government grant, and therefore, NT$5,758 thousand was recognized as other income as of and for the year ended December 31, 2017.

26. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
KK	Trade	March 3, 2017	67.14	$ 12,878

KK was acquired in order to reduce the cost of purchasing materials.

b. Considerations transferred

	KK
Cash	$ 12,878

c. Assets acquired and liabilities assumed at the date of acquisition

	KK
Current assets	
Cash	$ 18,221
Other receivables and other current assets	207
Non-current assets	
Other assets	137
Current liabilities	
Other payables and other liabilities	(684)
	$ 17,881

d. Goodwill recognized on acquisition

	KK
Consideration transferred	$ 12,878
Plus: Non-controlling interests (32.86% in KK)	5,876
Less: Fair value of identifiable net assets acquired	(17,881)
Goodwill recognized on acquisition	$ 873

The goodwill recognized in the acquisition of KK mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of KK. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of acquisition goodwill was not deductible for tax purposes.

e. Net cash inflow on acquisition of subsidiaries

	KK
Consideration paid in cash	$ 12,878
Less: Cash balances acquired	(18,221)
	$ (5,343)

f. Impact of acquisition on the results of the Corporation

The results of the acquiree since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	KK
Revenue	$ -
Loss	$ (1,096)

Had these business combinations been in effect for the entire annual reporting period, rather than just from March 3 to December 25, 2017, the Corporation's revenue from continuing operations would have been NT$11,440,772 thousand and the loss from continuing operations would have been NT$1,550,026 thousand. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Corporation that actually would have been achieved had the acquisition been completed on January 1, 2017 and sustained until December 31, 2017 nor is it intended to be a projection of future results.

27. DISPOSALS OF SUBSIDIARIES - WITH LOSS OF CONTROL

On December 21, 2017, the Corporation entered into a sale agreement with its affiliate, Zhejiang Hengjie Co., Ltd., to dispose of KK. The disposal was completed on December 25, 2017, on which date control of KK passed to the acquirer.

a. Consideration received from disposal

	KK
Sales proceeds receivable (JPY47,000 thousand, included in other receivables - related parties)	$ 12,436

b. Analysis of assets and liabilities on the date control was lost

	KK
Current assets	
Cash and cash equivalents	$ 13,861
Accounts receivable	517
Other receivables	248
Non-current assets	
Goodwill	873
Refundable deposits	215
Other non-current assets	126
Current liabilities	
Advance receipts and other current liabilities	(249)
Net assets disposed of	$ 15,591

c. Gain on disposal of subsidiaries

	KK
Consideration received	$ 12,436
Net assets disposed of	(15,591)
Non-controlling interests	4,839
Reclassification of other comprehensive income in respect of KK	(381)
Gain on disposal	$ 1,303

d. Net cash inflow on disposal of subsidiaries

	KK
Proceeds of disposal	$ 12,436
Remaining proceeds receivable	(12,436)
Consideration received in cash and cash equivalents	-
Less: Cash and cash equivalent balances disposed of	(13,861)
	$ (13,861)

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Corporation subscribed for additional new shares of KSCMMT at a percentage different from its existing ownership percentage, reducing its continuing interest from 92.6% to 49% on May 12, 2016.

In December, 2016, the Corporation disposed of 2% of its interest in CMVT, reducing its continuing interest from 83.33% to 81.33%.

The above transactions were accounted for as equity transactions, since the Corporation did not cease to have control over these subsidiaries.

KSCMMT:

	May 12, 2016
Cash consideration received	$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	50,212
Differences recognized from equity transactions	$ 50,212
Line items adjusted for equity transactions	
Capital surplus - changes in equity of subsidiaries	$ 50,212

CMVT:

	December 28, 2016
Cash consideration received	$ 6,000
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(2,938)
Differences recognized from equity transactions	$ 3,062
Line items adjusted for equity transactions	
Capital surplus - purchase price and carrying amount differences arising from acquisitions or disposals of subsidiaries	$ 3,062

29. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests) and equity attributable to the owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders and/or the number of new shares issued.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or cannot be reliably measured.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 349	$ -	$ 349

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	$ 12,028	$ -	$ -	$ 12,028
Financial assets at FVTPL				
Structured deposits	$ -	$ -	$ 167,266	$ 167,266
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 19,822	$ -	$ 19,822

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2016

	Financial Assets at Fair Value Through Profit or Loss Structured Deposits
Financial assets	
Balance at January 1, 2016	$ -
Recognized in profit or loss (included in other gains and losses)	
Realized	5,544
Unrealized	1,054
Effect of foreign currency exchange differences	(88)
Purchases	1,846,800
Sales	(1,686,044)
Balance at December 31, 2016	$ 167,266

3) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates.
Foreign mutual funds	Fair values are estimated based on yield to maturity of government bonds and municipal bonds in China.

4) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of structured deposits are determined using the discounted cash flow method where the significant unobservable inputs are discount rates. A decrease in the discount rates used in isolation would result in an increase in the fair value. As of December 31, 2016, the discount rate used was 1.40%.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	$ -	$ 167,266
Loans and receivables (1)	8,049,186	7,321,458
Available-for-sale financial assets	-	12,028

(Continued)

	December 31	
	2017	**2016**
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 349	$ 19,822
Amortized cost (2)	9,610,074	6,970,469
		(Concluded)

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents and accounts receivable (including related parties).

2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, accounts payable and other payables.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity, accounts receivable, accounts payable, and loans. The Corporation's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risk. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Corporation's activities exposed it primarily to the financial risk of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Corporation entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on dollar-denominated assets generated by sales and yen-denominated liabilities generated by the import of raw materials from Japan.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 100% of the Corporation’s sales were denominated in currencies other than the functional currency, whilst almost 84% of costs were denominated in the Corporation’s functional currency. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Corporation’s foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 36.

Sensitivity analysis

The Corporation was mainly exposed to the U.S. dollar and JPY.

The following table details the Corporation’s sensitivity to a 0.5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management’s assessment of the reasonably possible change in foreign currency exchange rates is 0.5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the end of the reporting period for a 0.5% change in foreign currency rates. A positive number below indicates a decrease in the pre-tax profit associated with the New Taiwan dollar strengthening 0.5% against the relevant currency. For a 0.5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on the pre-tax profit, and the balances below would be negative.

	U.S. Dollar Impact		**JPY Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Profit or loss	$ 2,057	$ 8,631(i)	$ (6,386)	$(9,375)(ii)

i. This was mainly attributable to the exposure outstanding on U.S. dollar receivables, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure outstanding on JPY payables, which were not hedged at the end of the reporting period.

In management’s opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Corporation was exposed to interest rate risk because entities in the Corporation borrowed funds at fixed interest rates. Hedging activities are evaluated regularly to align with interest rate views and a defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 588,119	$ 2,797,362
Financial liabilities	3,063,189	3,320,411
Cash flow interest rate risk		
Financial assets	4,164,439	1,661,171
Financial liabilities	3,490,252	1,496,218

Sensitivity analysis

The sensitivity analysis below were determined based on the Corporation's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2017 and 2016 would decrease/increase by NT$1,685 thousand and NT$412 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to a failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The information that was evaluated by the Corporation about the credit ratings of the counterparties is supplied by independent rating agencies where available and, if not available, the Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Corporation annually.

Ongoing credit evaluation is performed on the financial condition of the accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Corporation's concentration of credit risk of 69% and 84% in total accounts receivable as of December 31, 2017 and 2016, respectively, was related to the Corporation's five largest customers.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. However, the Corporation breached certain terms of its long-term loan agreement during 2016. On discovery of the breach, management informed the lender and commenced renegotiation of the terms of the loan with the relevant banker. As of March 19, 2018, those negotiations had not concluded. Refer to Note 16 for details.

The Corporation relies on bank loans as a significant source of liquidity. As of December 31, 2017 and 2016, the Corporation had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2017

	On Demand or Less than 6 Months	**6 Months to 1 Year**	**1-5 Years**
Non-derivative financial liabilities			
Non-interest bearing	$ 3,023,816	$ 10,344	$ 9,525
Variable interest rate liabilities	804,978	2,785,274	-
Fixed interest rate liabilities	2,554,080	408,760	-
	$ 6,382,874	$ 3,204,378	$ 9,535

December 31, 2016

	On Demand or Less than 6 Months	**6 Months to 1 Year**	**1-5 Years**
Non-derivative financial liabilities			
Non-interest bearing	$ 2,161,889	$ 3,764	$ 2,978
Variable interest rate liabilities	151,037	1,345,181	-
Fixed interest rate liabilities	3,298,360	2,229	-
	$ 5,611,286	$ 1,351,174	$ 2,978

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following tables detail the Corporation's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2017

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 297,251	$ -	$ -	$ -	$ -
Outflows	297,600	-	-	-	-

December 31, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 689,678	$ -	$ -	$ -	$ -
Outflows	709,500	-	-	-	-

c) Financing facilities

	December 31	
	2017	2016
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	$ 8,376,982	$ 6,131,674
Amount unused	18,116,771	18,636,794
	$ 26,493,753	$ 24,768,468

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between CMMT and its subsidiaries, which are the related parties of CMMT, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

a. Related party name and relationship

Related Party Name	Relationship to the Corporation
Chi Mei Corporation	Investors with significant influence over the Corporation (Note 1)
Tree Valley Foundation	Affiliates
Zhejiang Hengjie Co., Ltd. (“ZH”)	Affiliates
Zhejiang Piao Chen environmental Co., Ltd.	Affiliates
K Laser Technology Inc.	Affiliates
Ki Kin Corporation (“KK”)	Affiliates (Note 2)

Note 1: The chairman of Chi Mei Corporation, who was a corporate director of the Corporation, resigned on November 9, 2017. Since then Chi Mei Corporation no longer has had a significant influence over the Corporation.

Note 2: KK was acquired on March 3, 2017 and was disposed of on December 25, 2017. For the details of the acquisition and disposal of KK, refer to Notes 26 and 27.

b. Sale of goods

	For the Year Ended December 31	
Related Party Category	2017	2016
Affiliates	$ 235,992	$ -

Prices and terms were determined in accordance with mutual agreements between the Corporation and other related parties.

c. Receivables

		For the Year Ended December 31	
Line Item	Related Party Category	2017	2016
Notes receivable	Affiliates	$ 4,565	$ -
Other receivables	Affiliates	$ 12,422	$ 5

d. Other payables

	For the Year Ended December 31	
Related Party Category	2017	2016
Investors with significant influence over the Corporation	$ 350	$ -
Affiliates	794	-
	$ 1,144	$ -

e. Disposals of subsidiaries - KK

Related Party Category/Name	Proceeds For the Year Ended December 31 2017	Proceeds For the Year Ended December 31 2016	Gain (Loss) on Disposals For the Year Ended December 31 2017	Gain (Loss) on Disposals For the Year Ended December 31 2016
ZH	$ 12,436	$ -	$ 1,303	$ -

The disposal of the subsidiary was determined in accordance with mutual agreements between the Corporation and the related party.

f. Operating expenses

Related Party Category	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Investors with that have significant influence over the Corporation	$ 1,367	$ 1,974
Affiliates	1,939	824
	$ 3,306	$ 2,798

g. Rental income

Related Party Category	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Affiliates	$ 54	$ 54

The rental terms of the contracts between the Corporation and other related parties are comparable to market transactions.

h. Other income

Related Party Category	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Affiliates	$ 1,497	$ -

i. Compensation of key management personnel

Related Party Category	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Short-term employee benefits	$ 17,817	$ 27,753
Post-employment benefits	352	584
	$ 18,169	$ 28,337

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariffs of imported raw materials guarantees:

	For the Year Ended December 31	
	2017	2016
Restricted assets pledged deposits	$ 265,739	$ 134,032

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2017 and 2016 were as follows:

a. As of December 31, 2017 and 2016, unused letters of credit for purchases of raw materials were as follows:

	For the Year Ended December 31	
	2017	2016
JPY	$ 4,460,264	$ 3,519,324
EUR	402	1,860
USD	3,587	584

b. As of December 31, 2017 and 2016, the amounts of guarantees provided by financial institutions for the purpose of importing goods were NT$11,424 thousand and NT$51,284 thousand, respectively.

c. As of December 31, 2017 and 2016, the unpaid amounts of the construction contracts that the Corporation entered into for the expansion of factories and machinery equipment were NT$910,917 thousand and NT$1,196,174 thousand, respectively.

34. SIGNIFICANT LOSSES FROM DISASTERS

Due to the earthquake on February 6, 2016, the Corporation recognized related earthquake losses of NT$33,870 thousand (including repair expenses of factories and impairment of inventories), net of insurance claims for the year ended December 31, 2016.

35. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Corporation’s board of directors approved the agreement of polarizer technology licensing between KSCMMT and Nitto Denko Corporation (“Nitto Denko”) on November 2, 2017. The collaboration with Nitto Denko will accelerate business development in the mainland China polarizer market. The technology licensing agreement with Nitto Denko is for up to JPY15 billion and was signed by KSCMMT, Hangzhou Jinjiang Group, which is the strategic partner and major shareholder of KSCMMT, and Shenzhen Sheng Bo Optoelectronics Technology Co., Ltd., which is an investee of Hangzhou Jinjiang Group. KSCMMT will have the rights to three 2,500mm production lines, of which the total value will be JPY7.5 billion.

To build the first production line, on January 5, 2018, KSCMMT received equipment, which is worth JPY8.5 billion, from Tsubakimoto Kogyo Co., Ltd. On March 15, 2018, KSCMMT's board of directors resolved a machine equipment purchase for JPY29 billion through KK.

The motion of capital increase of USD146 million was approved by KSCMMT's board of directors on November 9, 2017. Hangzhou Jinjiang Group proposed to transfer all of its shareholding (46%) to Xian HengChun Investment Management Partnership Enterprise ("XIAN Fund") before the capital increase. Hangzhou Jinjiang Group and Zhejiang RenYuan Imp. & Exp. Co., Ltd. will not join the capital increase. And, USD146 million will be invested by Chi Mei Materials Technology Corp. (50%) and XIAN Fund (50%). After the issuance of the capital increase, the shareholding ratio will be such that Chi Mei Materials Technology Corp. owns 49%, XIAN Fund owns 48%, and RenYuan Imp. & Exp. Co., Ltd. owns 3%. The purpose of the capital increase is to raise funds for the second production line. The government has not approved the capital increase proposal yet.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 145,700	29.76	$ 4,336,032
JPY	4,061,391	0.2642	1,073,020
RMB	738	4.565	3,369
Financial liabilities			
Monetary items			
USD	121,873	29.76	3,626,940
JPY	10,020,477	0.2642	2,647,410
EUR	193	35.57	6,865
RMB	187	4.565	854
Non-monetary items			
USD	10	29.76	349

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 140,701	32.25	$ 4,537,607
JPY	3,651,992	0.2756	1,006,489
RMB	7,545	4.617	34,835

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 65,172	32.25	$ 2,101,797
JPY	12,958,010	0.2756	3,571,228
RMB	593	4.617	2,738
Non-monetary items			
USD	615	32.25	19,822

(Concluded)

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains were NT$14,449 thousand and NT$60,474 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: Table 1

2) Endorsements/guarantees provided: Table 2

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 3

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5

9) Trading in derivative instruments: Note 30

10) Intercompany relationships and significant intercompany transactions: Table 6

11) Information on investees: Table 7

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 9

   a) The amounts and percentages of purchases and the balances and percentages of the related payables at the end of the period.

   b) The amounts and percentages of sales and the balances and percentages of the related receivables at the end of the period.

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Corporation's reportable segments under IFRS 8 "Operating Segments" were as follows:

a. Segment revenues and results

The following was an analysis of the Corporation's revenue and results from continuing operations by reportable segment.

	Segment Revenue		**Segment Profit or Loss**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Taiwan operating entities	$ 3,006,234	$ 5,518,355	$ (666,452)	$ (934,299)
China operating entities	8,434,004	4,855,817	(1,001,940)	(671,939)
Others	534	-	(2,730)	-
Total from continuing operations	$ 11,440,772	$ 10,374,172	(1,671,122)	(1,606,238)
Net foreign exchange gain			14,449	60,474
Interest income			21,474	42,773
Gain on disposal of property, plant and equipment			36	121
Gain on disposal of available-for-sale financial instruments			45	24,761
Gain on disposal of subsidiaries			1,303	-
Net gain arising on financial assets designated as at FVTPL			19,136	6,598
Net gain (loss) arising on financial assets and liabilities held for trading			32,342	(102,166)
Finance costs			(124,319)	(13,833)
Others			23,740	44,039
Loss before income tax			$ (1,682,917)	$ (1,543,471)

Segment profit represented profit before tax earned by each segment without the allocation of central administration costs and directors' salaries, interest income, gains or losses on disposals of property, plant and equipment, gains or losses on disposals of available-for-sale financial instruments, gain on disposal of subsidiaries, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and the assessment of segment performance.

b. Segment assets

The Corporation does not regularly provide information on assets to the Corporation's chief operating decision maker.

c. Revenue from major products and services

The following is an analysis of the Corporation's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2017	**2016**
Polarizing films	$ 9,779,560	$ 10,222,239
Others	1,661,212	151,933
	$ 11,440,772	$ 10,374,172

d. Geographical information

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2017	**2016**	**2017**	**2016**
Taiwan	$ 3,313,760	$ 3,875,536	$ 4,807,561	$ 5,155,454
China	8,127,012	6,498,636	6,953,979	4,970,741
	$ 11,440,772	$ 10,374,172	$ 11,761,540	$ 10,126,195

e. Information about major customers

Single customers who contributed 10% or more to the Corporation's gross sales were as follows:

	For the Year Ended December 31	
	2017	**2016**
Customer A (Note)	$ 3,027,460	$ 3,531,635
Customer B (Note)	1,950,448	2,235,405
Customer C (Note)	1,153,819	1,582,296

Note: Revenue from polarizing films.

TABLE 1

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Foreign Currencies in Thousands)	Ending Balance (Foreign Currencies in Thousands)	Actual Borrowing Amount (Foreign Currencies in Thousands)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)
													Item	Value		
1	KSCMMT	KSCMS	Other receivables - related parties	Yes	$ 455,100 RMB 100,000	$ - RMB -	$ - RMB -	4.35%	Short-term financing	$ -	Operating capital	$ -	None	$ -	$ 1,490,339	$ 2,235,509

Note 1: The total amount for lending to a company for funding shall not exceed 40% of the net asset value of KSCMMT.

Note 2: The financing company's aggregate amount available for lending to borrowers should not exceed 60% of KSCMMT's net asset value.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Foreign Currencies in Thousands)	Outstanding Endorsement/ Guarantee at the End of the Period (Foreign Currencies in Thousands)	Actual Borrowing Amount (Foreign Currencies in Thousands)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	CMMT	KSCMMT	Note 1	$ 5,672,865	$ 2,814,800 USD 94,583	$ 2,814,800 USD 94,583	$ 1,290,542 USD 43,365	$ -	24.81	$ 11,345,730	Yes	No	Yes
1	KSCMMT	KSCMS	Subsidiary	2,235,509	1,826,000 RMB 400,000	1,826,000 RMB 400,000	755,174 RMB 165,427	-	49.01	3,725,848	Yes	No	Yes

Note 1: CMMT and the other shareholders mutually invested in the endorsee/guarantee based on their respective ownership percentages.

Note 2: According to the “Rules of Guarantees by CMMT”, the ceiling for the total guaranteed amount was CMMT’s net asset value, and the limit of guaranteed amount for a single party was 50% of CMMT’s net asset value.

Note 3: According to the “Rules of Guarantees by KSCMMT”, the ceiling for the total guaranteed amount was KSCMMT’s net asset value, and the limit of guaranteed amount for a single party was 60% of KSCMMT’s net asset value.

TABLE 3

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, and In Thousands of Renminbi, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
	Structured deposits													
KSCMMT	Rural Commercial Bank of Zhangjiagang	Financial instruments at FVTPL - current	-	-	-	$ -	-	RMB 70,000	-	RMB 70,409	RMB 70,000	RMB 409	-	RMB -
	Industrial and Commercial Bank of China	Financial instruments at FVTPL - current	-	-	-	-	-	RMB 100,000	-	RMB 100,613	RMB 100,000	RMB 613	-	RMB -
	Kunshan Rural Commercial Bank	Financial instruments at FVTPL - current	-	-	-	-	-	RMB 305,000	-	RMB 306,549	RMB 305,000	RMB 1,549	-	RMB -

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
CMMT	NBCMMT	100% indirectly held subsidiary of the Corporation	Sale	$ 4,080,812	49.18	Open account 120 days	$ -	-	$ 1,562,229	59.51	-
CMMT	KSCMMT	49% indirectly held subsidiary of the Corporation	Sale	129,411	1.56	Open account 90 days	-	-	11,298	-	-
KSCMS	ZH	Subsidiary of investor with significant influence over the Corporation	Sale	211,891	12.35	Open account 90 days	-	-	-	-	-
NBCMMT	KSCMMT	Fellow subsidiary	Sale	338,200	6.28	Open account 90 days	-	-	119,480	8.49	-

TABLE 5

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
CMMT	NBCMMT	100% indirectly held subsidiary of the Corporation	$ 1,562,229	1.73	$ -	-	$ 691,542	$ -
NBCMMT	KSCMMT	Fellow subsidiary	119,480	5.65	-	-	5	-

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms (Note 2)	% of Total Sales or Assets
0	CMMT	NBCMMT	1	Sales	$ 4,080,812	-	36
			1	Accounts receivable	1,562,229	-	7
			1	Provisions	1,221	-	1
			1	Accounts payable	138,723	-	1
			1	Other payables	853	-	-
		CMVT	1	Sales	15,349	-	-
			1	Accounts receivable	10,853	-	-
			1	Provisions	1,336	-	-
			1	Accounts payable	864	-	-
			1	Rental income	2,905	-	-
		KSCMS	1	Sales	45,264	-	-
			1	Accounts receivable	3,221	-	-
		KSCMMT	1	Sales	129,411	-	1
			1	Accounts receivable	11,298	-	-
			1	Other receivables	147,619	-	-
			1	Royalty receipts	54,848	-	-
			1	Advance receipts	18,283	-	-
			1	Other income	64,636	-	-
1	NBCMMT	CMVT	2	Sales	16,944	-	-
			2	Accounts receivable	5,968	-	-
		KSCMS	2	Sales	5,306	-	-
			2	Accounts payable	3,128	-	-
		KSCMMT	2	Sales	338,200	-	3
			2	Accounts receivable	119,480	-	1
2	KSCMMT	KSCMS	1	Interest revenue	5,428	-	1

Note 1: No. 1 represents transaction from the parent company to a subsidiary.

No. 2 represents transactions between subsidiaries.

Note 2: Prices and terms were determined in accordance with mutual agreements.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
CMMT	CMMTS	Samoa Islands	Investment company	$ 431,482	$ 431,482	13,300	100	$ 830,270	$ (171,831)	$ (171,831)	Note 1
	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	205,000	205,000	20,500	68.33	94,399	(29,737)	(20,319)	Note 1
	CMMTI	Samoa Islands	Investment company	2,230,328	2,230,328	73,500	100	1,825,404	(304,957)	(304,957)	Note 1
	CTI	Tainan City, Taiwan	Investment company	50,000	50,000	5,000	100	26,023	(3,862)	(3,862)	Note 1
	CTT	Tainan City, Taiwan	Trade	1,000	-	100	100	975	(25)	(25)	Note 1
	KK	Tokyo, Japan	Trade	-	-	-	-	-	(2,802)	(1,745)	Note 1
CTI	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	39,000	39,000	3,900	13	15,083	(29,737)	(3,866)	Note 1

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: For investments in mainland China, refer to Table 8.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Product	Paid-in Capital (Foreign Currencies in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Foreign Currencies in Thousands)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Foreign Currencies in Thousands)	Net Income (Loss) of the Investee (Foreign Currencies in Thousands)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Foreign Currencies in Thousands) (Note 2)	Carrying Amount as of December 31, 2017 (Foreign Currencies in Thousands) (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outflow	Inflow						
NBCMMT	Electronic component manufacture and sale	RMB 131,946	Note 1	$ 431,482 USD 13,300	$ -	$ -	$ 431,482 USD 13,300	$ (171,772) RMB (38,477)	100	$ (184,585) RMB (41,347)	$ 846,933 RMB 185,528	$ -
KSCMMT	Electronic component manufacture and sale	RMB 948,460	Note 1	2,230,328 USD 73,500	-	-	2,230,328 USD 73,500	(622,275) RMB (137,834)	49	(304,915) RMB (67,539)	1,825,666 RMB 399,927	-
KSCMS	Trade	RMB 50,000	Note 1	-	-	-	-	13,323 RMB 2,956	49	6,528 RMB 1,448	118,931 RMB 26,053	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 (Foreign Currencies in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$2,661,810 (USD 86,800)	$2,661,810 (USD 86,800)	$6,807,438

Note 1: The method of investment is investing in an existing company through a third party.

Note 2: Net income (loss) of the investee and the balance of long-term equity investments were recognized on the basis of audited financial statements.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
NBCMMT	Sale	$4,080,812	49.18	Note	Note	Note	$ 1,562,229	59.51	$ 16,641	Note
KSCMMT	Sale	129,411	1.56	Note	Note	Note	11,298	-	-	Note

Note: Prices and terms were determined in accordance with mutual agreements and were comparable to market transactions.

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:

<u>Timing of Revenue Recognition</u>

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 assesment 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)

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

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

The accompanying notes are an integral part of the financial statements.

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)	8,555,844	103	10,063,596	104
GROSS LOSS	(258,223)	(3)	(421,072)	(4)
UNREALIZED (REALIZED) GAIN ON TRANSACTION WITH SUBSIDIARIES AND ASSOCIATES	(12,813)	-	57,435	-
REALIZED GROSS PROFIT	(271,036)	(3)	(363,637)	(4)
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	311,373	4	278,835	3
Total operating expenses	537,431	7	531,165	6
OTHER OPERATING INCOME AND EXPENSES (Notes 20 and 30)	-	-	(33,870)	-
LOSS FROM OPERATIONS	(808,467)	(10)	(928,672)	(10)
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	145,263	1	31,920	-
Total non-operating income and expenses	(554,132)	(7)	(617,118)	(6)
LOSS BEFORE INCOME TAX	(1,362,599)	(17)	(1,545,790)	(16)
INCOME TAX BENEFITS (Notes 4, 5 and 21)	(136,339)	(2)	(61,869)	-
NET LOSS FOR THE YEAR	(1,226,260)	(15)	(1,483,921)	(16)

(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**	**%**
OTHER COMPREHENSIVE LOSS				
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	(23)	-	(11,114)	-
Other comprehensive loss for the year, net of income tax	(43,632)	-	(310,467)	(3)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (1,269,892)	(15)	$ (1,794,388)	(19)
LOSS PER SHARE (Note 22)				
Basic loss per share	$ (2.18)		$ (2.88)	
Diluted loss per share	$ (2.18)		$ (2.88)	

The accompanying notes are an integral part of the financial statements. (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			Retained Earnings			Other 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	Total Equity
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	665,729	$ 6,657,285	$ 856,768	$ 1,085,124	$ 202,973	$ 2,789,804	$ (246,224)	$ -	$ 11,345,730

The accompanying notes are an integral part of the financial statements.

CHI MEI MATERIALS TECHNOLOGY CORPORATION

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	$ (1,362,599)	$ (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	(16,266)	(3,729)
Cash generated from (used in) operations	1,627,644	(172,876)
Interest paid	(19,333)	(9,647)
Income tax paid	(127)	(152,916)
Net cash generated from (used in) operating activities	1,608,184	(335,439)
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	3,104	2,493
Net cash used in investing activities	(231,514)	(256,396)

(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)

	2017	2016
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	1,903,007	-
Net cash used in generated from financing activities	251,106	1,378,203
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(14,120)	(19,215)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,613,656	767,153
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,483,983	716,830
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,097,639	$ 1,483,983

The accompanying notes are an integral part of the financial statements. (Concluded)

CHI MEI MATERIALS TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Chi Mei Materials Technology Corporation (the Corporation) was incorporated in the Republic of China (ROC) on May 17, 2005. The Corporation specializes in manufacturing optoelectronic materials and components (polarizing film). The Corporation's main business activities include the manufacture and sale of polarizing films. On October 24, 2011, the Corporation's shares were listed on the Taiwan Stock Exchange (TWSE).

Since September 2017, the Corporation's common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol "US16935L1098" in the form of global depositary shares.

The financial statements are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board of directors on March 19, 2018.

3. APPLICATION OF NEW/REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Corporation's accounting policies:

   1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

      The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which an impairment loss has been recognized or reversed is the fair value less costs of disposal, the Corporation is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendment will be applied retrospectively starting from January 1, 2017.

2) Annual Improvements to IFRSs 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires the Corporation to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 “Related Party Disclosures” was amended to clarify that a management entity providing key management personnel services to the Corporation is a related party of the Corporation. Consequently, the Corporation is required to disclose as related party transactions the amounts incurred for the services paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3 and IFRS 13, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The amendments stipulate that an entity should use appropriate depreciation and amortization methods to reflect the pattern in which the future economic benefits of property, plant and equipment and intangible assets are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which an intangible asset is expressed as a measure of revenue (for example, a contract that specifies that the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated.

5) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of the impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Corporation, or is the spouse or second immediate family of the chairman of the board of directors or president of the Corporation are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Corporation has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Corporation's respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively starting from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 28 for related disclosures.

b. Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017

(Continued)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Corporation's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments" and related amendment

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Corporation may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Corporation elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets, liabilities and equity			
Other financial assets	$ 2,000	$ (2,000)	$ -
Financial assets measured at amortized cost - current	-	2,000	2,000
Total effect on assets	$ 2,000	$ -	$ 2,000

2) IFRS 15 "Revenue from Contracts with Customers" and the related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Corporation recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Corporation satisfies a performance obligation.

In addition, the Corporation will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The anticipated effect of retrospectively applying IFRS 15 is detailed below:

	Carrying Amount	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount**
Impact on assets, liabilities and equity			
December 31, 2017			
Provisions - current	$ 12,197	$ (12,197)	$ -
Advance receipts	18,283	(18,283)	-
Advance sales receipts	2,294	(2,294)	-
Contract liabilities - current	-	32,774	32,774
Total effect on liabilities	$ 32,774	$ -	$ 32,774

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Corporation expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Corporation should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Corporation’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Corporation will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing a deferred tax asset, the Corporation currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendments will be applied retrospectively in 2018.

Except for the above impact, as of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Corporation shall apply these amendments to any plan amendment, curtailment or settlement occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Corporation is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Corporation may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the statements of comprehensive income, the Corporation should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Corporation as lessor.

When IFRS 16 becomes effective, the Corporation may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Corporation has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Corporation shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the above impact, as of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Corporation used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in these financial statements to be the same with the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Corporation’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

e. Foreign currencies

In preparing these financial statements, transactions in currencies other than the Corporation's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the investee. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the Corporation's parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Corporation.

h. Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

a) Measurement category

Financial assets are classified as loans and receivables.

<u>Loans and receivables</u>

Loans and receivables (including accounts receivable, cash and cash equivalents) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as accounts receivable and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable and other receivables where the carrying amount is reduced through the use of an allowance account. When accounts receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller’s reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials’ ownership.

2) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement and provided that it is probable that the economic benefits will flow to the Corporation and that the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

3) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

n. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Income taxes

As of December 31, 2017 and 2016, the carrying amount of deferred tax assets in relation to unused tax losses and future deductible temporary differences was NT$417,137 thousand and NT$272,591 thousand, respectively. As of December 31, 2017 and 2016, no deferred tax asset has been recognized on tax losses and future deductible temporary differences of NT$356,483 thousand and NT$262,138 thousand, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Corporation takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Fair value measurements and valuation processes

If some of the Corporation's assets and liabilities measured at fair value have no quoted prices in active markets, the Corporation determines whether to engage third party qualified appraisers and determines the appropriate valuation techniques for the fair value measurements.

Where Level 1 inputs are not available, the Corporation or engaged appraisers would determine appropriate inputs by referring to market prices or rates and specific features of derivatives. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. The Corporation updates inputs quarterly to confirm the appropriateness of the fair value measurement.

d. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 181	$ 142
Checking accounts and demand deposits	3,097,458	1,354,841
Cash equivalents		
Repurchase agreements collateralized by bonds	-	129,000
	$ 3,097,639	$ 1,483,983

The market rate intervals of cash in the bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Bank deposits	0.001%-0.75%	0.001%-0.39%
Repurchase agreements collateralized by bonds	-	1.35%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	**2016**
Financial assets at FVTPL - current		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (b)	$ -	$ -
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (b)	$ 349	$ 19,822

a. The Corporation entered into a three-month structured time deposit contract with the bank in 2016. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract.

b. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	**Maturity Date**	**Notional Amount (In Thousands)**
December 31, 2017			
Sell	USD/JPY	2018.01.19	USD 10,000/JPY 1,125,100
December 31, 2016			
Sell	USD/JPY	2017.01.05-2017.02.09	USD 22,000/JPY 2,502,460

The Corporation entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2017	2016
Accounts receivable	$ 1,037,473	$ 1,374,577
Accounts receivable - related parties	1,587,599	3,184,599
Less: Allowance for impairment loss	-	(1,523)
	$ 2,625,072	$ 4,557,653
Other receivables	$ 174,493	$ 117,164
Other receivables - related parties	160,543	77,972
Less: Allowance for impairment loss	(18,215)	(18,215)
	$ 316,821	$ 176,921

a. Accounts receivable

The average credit period of sales of goods was between 90 and 120 days. In determining the recoverability of an account receivable, the Corporation considered any change in the credit quality of the account receivable since the date credit was initially granted to the end of the reporting period. The Corporation recognized an allowance for impairment loss of 100% against all receivables over 120 days because historical experience was that receivables that are beyond 120 days past due were not recoverable. An allowance for impairment loss was recognized against accounts receivable between 60 and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial positions.

For the accounts receivable balances that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Corporation did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2017	2016
Not past due	$ 2,625,072	$ 4,559,176
Less than 61 days	-	-
61-90 days	-	-
91-120 days	-	-
More than 120 days	-	-
	$ 2,625,072	$ 4,559,176

The above aging schedule was based on the past due days from the end of the credit term.

The movements of the allowance for doubtful accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ -	$ -	$ -
Add: Impairment losses recognized on receivables	1,523	-	1,523
Balance at December 31, 2016	$ 1,523	$ -	$ 1,523
Less: Amounts written off during the year as uncollectible	(1,523)	-	(1,523)
Balance at December 31, 2017	$ -	$ -	$ -

The Corporation recognized an impairment loss on accounts receivable amounting to NT$0 and NT$1,523 thousand for the years ended December 31, 2017 and 2016, respectively. This amount is mainly related to customers that were experiencing severe financial difficulties. The Corporation did not hold any collateral over these balances.

b. Other receivables

The movements of the allowance for doubtful other receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1 and December 31, 2017 and 2016	$ 18,215	$ -	$ 18,215

9. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 245,311	$ 388,651
Work in progress	465,295	343,225
Raw materials	817,480	856,098
	$ 1,528,086	$ 1,587,974

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was NT$8,555,844 thousand and NT$10,063,596 thousand, respectively.

The cost of goods sold included write-downs of inventories and reversals of write-downs of inventories which were as follows:

	December 31	
	2017	2016
(Reversal of) write-down of inventories	$ (24,343)	$ 138,515

The provision for inventory write-downs in the amount of NT$24,343 thousand was reversed in the cost of goods sold for the year ended December 31, 2017 when the related inventory items were sold.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries		
Chimei Materials Technology (SAMOA) Corp. ("CMMTS")	$ 830,270	$ 1,030,437
Chi Mei Visual Technology Corporation ("CMVT")	94,399	119,438
Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	1,825,404	2,158,066
Chi Tsai Investment Co., Ltd. ("CTI")	26,023	29,889
Chi Tsai Trading Co., Ltd. ("CTT")	975	-
Ki Kin Corporation ("KK")	-	-
	$ 2,777,071	$ 3,337,830

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2017	2016
CMMTS	100%	100%
CMVT	68.33%	68.33%
CMMTI	100% (Note 1)	100%
CTI	100%	100%
CTT	100% (Note 2)	-
KK	(Note 3)	-

Note 1: The Corporation's board of directors approved the agreement of polarizer technology licensing between KSCMMT and Nitto Denko Corporation ("Nitto Denko") on November 2, 2017. The collaboration with Nitto Denko will accelerate business development in the mainland China polarizer market. The technology licensing agreement with Nitto Denko is for up to JPY15 billion and was signed by KSCMMT, Hangzhou Jinjiang Group, which is the strategic partner and major shareholder of KSCMMT, and Shenzhen Sheng Bo Optoelectronics Technology Co., Ltd., which is an investee of Hangzhou Jinjiang Group. KSCMMT will have the rights to three 2,500mm production lines, of which the total value will be JPY7.5 billion.

To build the first production line, on January 5, 2018, KSCMMT received equipment, which is worth JPY8.5 billion, from Tsubakimoto Kogyo Co., Ltd. On March 15, 2018, KSCMMT's board of directors resolved that machine equipment purchase for JPY29 billion through KK.

The motion of capital increase of USD146 million was approved by KSCMMT's board of directors on November 9, 2017. Hangzhou Jinjiang Group proposed to transfer all of its shareholding (46%) to Xian HengChun Investment Management Partnership Enterprise ("XIAN Fund") before the capital increase. Hangzhou Jinjiang Group and Zhejiang RenYuan Imp. & Exp. Co., Ltd. will not join the capital increase. And, USD146 million will be invested by Chi Mei

Materials Technology Corp. (50%) and XIAN Fund (50%). After the issuance of the capital increase, the shareholding ratio will be such that Chi Mei Materials Technology Corp. owns 49%, XIAN Fund owns 48%, and RenYuan Imp. & Exp. Co., Ltd. owns 3%. The purpose of the capital increase is to raise funds for the second production line. The government has not approved the capital increase proposal yet.

Note 2: CTT was incorporated in January 2017. The Corporation holds a 100% interest in CTT.

Note 3: KK, whose original name was Jin Jiang Corporation (“JJ”), was invested in by Zhejiang Hengjie Co., Ltd. (“ZH”) in the amount of JPY23,000 thousand on June 29, 2016. ZH held a 100% interest in KK. On March 3, 2017, the Corporation injected JPY47,000 thousand into JJ, which raised the Corporation’s percentage of ownership over KK to 67.14%. The investment is to reduce the cost of purchasing raw materials. However, the economic returns are not as expected. The Corporation sold all of its shares to ZH at JPY47,000 thousand on December 25, 2017. Refer to Notes 24 and 25.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2016	$ 1,428,543	$ 3,263,236	$ 4,500,389	$ 39,365	$ 3,402,003	$ 119,694	$ 14,336	$ 12,767,566
Additions	-	24,229	55,115	3,387	48,008	3,229	27,543	161,511
Disposals	-	-	(216,427)	(2,838)	(24,252)	(13,234)	-	(256,751)
Others	-	1,875	156,720	3,233	33,497	6,657	(30,131)	171,851
Balance at December 31, 2016	$ 1,428,543	$ 3,289,340	$ 4,495,797	$ 43,147	$ 3,459,256	$ 116,346	$ 11,748	$ 12,844,177
Accumulated depreciation and impairment								
Balance at January 1, 2016	$ -	$ 887,493	$ 3,718,327	$ 23,882	$ 2,731,496	$ 99,206	$ -	$ 7,460,404
Disposals	-	-	(216,141)	(2,838)	(24,252)	(13,157)	-	(256,388)
Depreciation expenses	-	128,990	373,650	6,732	177,209	7,999	-	694,580
Balance at December 31, 2016	$ -	$ 1,016,483	$ 3,875,836	$ 27,776	$ 2,884,453	$ 94,048	$ -	$ 7,898,596
Carrying amounts at December 31, 2016	$ 1,428,543	$ 2,272,857	$ 619,961	$ 15,371	$ 574,803	$ 22,298	$ 11,748	$ 4,945,581
Cost								
Balance at January 1, 2017	$ 1,428,543	$ 3,289,340	$ 4,495,797	$ 43,147	$ 3,459,256	$ 116,346	$ 11,748	$ 12,844,177
Additions	-	3,380	36,991	1,364	33,911	6,013	2,360	84,019
Disposals	-	-	(530)	(106)	-	-	-	(636)
Others	-	1,680	90,924	-	11,120	2,530	(12,908)	93,346
Balance at December 31, 2017	$ 1,428,543	$ 3,294,400	$ 4,623,182	$ 44,405	$ 3,504,287	$ 124,889	$ 1,200	$ 13,020,906
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ 1,016,483	$ 3,875,836	$ 27,776	$ 2,884,453	$ 94,048	$ -	$ 7,898,596
Disposals	-	-	(530)	(106)	-	-	-	(636)
Depreciation expenses	-	129,725	231,029	6,400	179,950	10,060	-	557,164
Balance at December 31, 2017	$ -	$ 1,146,208	$ 4,106,335	$ 34,070	$ 3,064,403	$ 104,108	$ -	$ 8,455,124
Carrying amounts at December 31, 2017	$ 1,428,543	$ 2,148,192	$ 516,847	$ 10,335	$ 439,884	$ 20,781	$ 1,200	$ 4,565,782

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	25 years
Engineering systems	25 years
Machinery and equipment	3-5 years
Office equipment	5 years
Factory equipment	8 years
Miscellaneous equipment	3-5 years

12. OTHER INTANGIBLE ASSETS

	Licenses and Franchises	Computer Software	Total
Cost			
Balance at January 1, 2016	$ 9,200	$ 48,461	$ 57,661
Additions	-	15,619	15,619
Balance at December 31, 2016	$ 9,200	$ 64,080	$ 73,280
Accumulated amortization			
Balance at January 1, 2016	$ 2,760	$ 37,411	$ 40,171
Amortization expenses	1,840	9,192	11,032
Balance at December 31, 2016	$ 4,600	$ 46,603	$ 51,203
Carrying amounts at December 31, 2016	$ 4,600	$ 17,477	$ 22,077
Cost			
Balance at January 1, 2017	$ 9,200	$ 64,080	$ 73,280
Additions	-	29,208	29,208
Retirement	-	(27,289)	(27,289)
Balance at December 31, 2017	$ 9,200	$ 65,999	$ 75,199
Accumulated amortization			
Balance at January 1, 2017	$ 4,600	$ 46,603	$ 51,203
Amortization expenses	1,840	18,637	20,477
Retirement	-	(27,289)	(27,289)
Balance at December 31, 2017	$ 6,440	$ 37,951	$ 44,391
Carrying amounts at December 31, 2017	$ 2,760	$ 28,048	$ 30,808

Other intangible assets were depreciated on a straight-line basis over the estimated useful lives as follows:

Computer Software	1-3 years
Licenses and Franchises	5 years

13. OTHER ASSETS

	December 31	
	2017	2016
Current		
Prepayments	$ 33,139	$ 25,698
Other financial assets	2,000	-
Payments on behalf of others	31	30,740
Temporary payments	30	40
	$ 35,200	$ 56,478
Non-current		
Prepayments for purchase of equipment	$ 49,423	$ 46,495

14. LOANS

a. Short-term bank loans

	December 31	
	2017	2016
Unsecured loans		
Line of credit loans	$ 1,000,000	$ 1,016,750
Letter of credit loans	138,650	1,181,622
OA (open account) foreign currency loans	13,000	582,341
	$ 1,151,650	$ 2,780,713

The range of weighted average effective interest rates on bank loans was 0.68%-0.97% and 0.56%-1.75% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

	December 31	
	2017	2016
Commercial paper	$ 100,000	$ -

The interest rate on commercial paper was 0.88% per annum as of December 31, 2017.

15. ACCOUNTS PAYABLE

	December 31	
	2017	2016
Accounts payable		
Operating	$ 1,937,631	$ 1,861,407
Operating - related parties	139,587	350,260
	$ 2,077,218	$ 2,211,667

The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

16. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Other payables		
Payables for salaries or bonuses	$ 172,349	$ 172,740
Payables for annual leave	35,503	28,155
Payables for purchases of equipment	22,145	33,928
Payables for insurance premiums	12,145	12,622
Accrued taxes payable	6,333	3,986
Payables for professional service fees	3,339	2,332
Payables for interests	492	2,242
Others	105,417	117,586
	$ 357,723	$ 373,591
Other liabilities		
Advance receipts - related parties (Note 28)	$ 18,283	$ 646
Receipts on behalf of others	5,665	5,608
Temporary receipts	3,079	15,391
Advance receipts	2,294	6,305
	$ 29,321	$ 27,950

17. PROVISIONS

	December 31	
	2017	2016
Current		
Customer returns and rebates	$ 12,197	$ 3,380

	Customer Returns and Rebates
Balance at January 1, 2017	$ 3,380
Additional provisions recognized	12,197
Usage	(3,380)
Balance at December 31, 2017	$ 12,197

The provision of customer returns and rebates was based on historical experience, management's judgments and other known reasons why estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

18. RETIREMENT BENEFIT PLANS

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Corporation recognized expenses of NT$42,516 thousand and NT$40,686 thousand in the statements of comprehensive income for the years ended December 31, 2017 and 2016, respectively.

19. EQUITY

a. Share capital

1) Common shares

	December 31	
	2017	2016
Numbers of shares authorized (in thousands)	700,000	600,000
Shares authorized	$ 7,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	665,729	515,729
Shares issued	$ 6,657,285	$ 5,157,285

In the extraordinary general meeting of shareholders on February 8, 2017, the shareholders proposed that authorized shares be changed to NT$7,000,000 thousand.

Fully paid common shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

On December 20, 2016, the Corporation's board of directors approved to increase its capital by an issuance of 150,000 thousand shares of common shares by sponsoring the issuance of global depositary receipts (GDR) which was approved by the FSC. Each GDR represents 40 common shares, which have been listed on the SGX since September 12, 2017, with a per-unit issue price of USD17.31 and a total amount of USD64.9 million. As of December 31, 2017, the outstanding 1,691.5 thousand units of GDRs represented 67,660 thousand common shares.

The agreement clause of the GDR purchase stipulates the following:

a) Voting rights

Unless stipulated otherwise by applicable laws and regulations, the Bank of New York Mellon (the "Depositary") may exercise the voting rights associated with the underlying common shares represented by the GDRs on behalf of the holders of the GDRs in accordance with the Regulation S Deposit Agreement (the "Deposit Agreement") entered into by the Corporation, the Depositary, and the individual holders of the GDRs as well as in accordance with the laws and regulations of the ROC.

b) Sale and withdrawal of the underlying common shares

The holders of the GDRs may request to withdraw and hold the common shares represented by the GDRs pursuant to relevant laws and regulation of the ROC and the Deposit Agreement; or the holders of the GDRs may request to withdraw and ask the Depositary to sell such withdrawn common shares on behalf of the holders of the GDRs and pay the sales proceeds after deducting tax and other relevant fees to the holders of the GDRs pursuant to relevant laws and regulation of the ROC and the Deposit Agreement.

c) Distribution of dividends, pre-emptive rights, and other interests

Unless otherwise provided in the Deposit Agreement, the holders of the GDRs shall be entitled to the same rights on dividends distribution or on other distributions as the holders of common shares of the Corporation. If the Corporation distributes share dividends or makes other share distributions in the future, the Depositary will, in accordance with the Deposit Agreement and the relevant laws and regulations, issue additional GDRs to the holders of the GDRs proportionately, increase the number of the common shares to be represented by each GDR unit, or sell such distributed shares on behalf of the holder of the GDRs and then pay the sales proceeds after deducting tax and other relevant fees to the holder of the GDRs on a pro rata basis.

b. Capital surplus

	December 31	
	2017	**2016**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Share premium	$ 803,494	$ 400,487
Purchase price and carrying amount differences arising from acquisition or disposal of subsidiaries	3,062	3,062
May only be used to offset a deficit (2)		
Changes in equity of subsidiaries	50,212	50,212
	$ 856,768	$ 453,761

1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

2) Such capital surplus arises from the effect of a change in an ownership interest in a subsidiary resulting from equity transactions other than an actual disposal or acquisition.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 20, 2016 and, in that meeting, resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses, and then 10% shall be set aside as a legal reserve. When such legal reserve amounts to the total paid-in capital, the Corporation shall not be subject to this requirement. The Corporation may then appropriate or reverse a certain amount as a 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 in the shareholders' meeting.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 20g, "Employee's compensation and remuneration of directors and supervisors".

The Corporation's Articles also stipulate a dividend policy whereby, after taking into account the Corporation's current and future development plan, investment environment, fund requirements, domestic and international competition, and the interests of shareholders, the Corporation is to set aside no less than 20% of the distributable earnings as shareholders' dividends and bonuses. However, in the case where accumulated distributable earnings is less than 50% of paid-in capital, the Corporation may choose not to distribute dividends. Dividends to common shareholders may be distributed by way of a combination of cash dividends and share dividends provided that the cash dividends shall not be less than 10% of the total dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2016 and 2015, which were approved in the shareholders' meetings on June 21, 2017 and June 20, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	$ -	$ 104,879		
Special reserve	166,124	-		
Cash dividends	-	257,864	$ -	$ 0.5

d. Special reserve

	For the Year Ended December 31	
	2017	2016
Beginning at January 1	$ 36,849	$ 36,849
Appropriations in respect of debits to other equity items	166,124	-
Balance at December 31	$ 202,973	$ 36,849

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (202,996)	$ 96,357
Exchange differences on translating foreign operations	(43,609)	(299,353)
Gain reclassified to profit or loss on disposal of foreign operations	381	-
Balance at December 31	$ (246,224)	$ (202,996)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 23	$ 11,137
Unrealized gain arising on revaluation of available-for-sale financial assets	22	13,647
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(45)	(24,761)
Balance at December 31	$ -	$ 23

20. NET PROFIT (LOSS)

a. Other operating income and expenses

	For the Year Ended December 31	
	2017	2016
Net loss from disaster (Note 30)	$ -	$ (33,870)

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net foreign exchange (loss) gain	$ (208,017)	$ 70,760
Net gain (loss) arising on financial assets designated as at FVTPL	32,342	(102,166)
Gain on disposal of subsidiary (Note 25)	1,303	-
Net gain on disposal of property, plant and equipment	-	121
	$ (174,372)	$ (31,285)

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ (17,113)	$ (7,855)
Other finance costs	(470)	(192)
	$ (17,583)	$ (8,047)

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 190	$ 113
Capitalization rate	0.84%	0.85%

d. Other income

	For the Year Ended December 31	
	2017	2016
Royalty income (Note 28)	$ 54,848	$ -
Other income (Note 28)	64,636	-
Government grants (Note 23)	5,758	10,766
Rental income	3,715	3,608
Interest income	3,104	2,438
Others	13,202	15,108
	$ 145,263	$ 31,920

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 577,164	$ 694,580
Intangible assets	20,477	11,032
	$ 577,641	$ 705,612
An analysis of deprecation by function		
Operating costs	$ 516,507	$ 667,002
Operating expenses	40,657	27,578
	$ 557,164	$ 694,580
An analysis of amortization by function		
Operating costs	$ 3,738	$ 1,414
General and administrative expenses	14,846	7,725
Research and development expenses	1,893	1,893
	$ 20,477	$ 11,032

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (Note 18)		
Defined contribution plans	$ 42,516	$ 40,686
Other employee benefits	1,019,572	1,011,937
Total employee benefits expense	$ 1,062,088	$ 1,052,623
An analysis of employee benefits expenses by function		
Operating costs	$ 871,887	$ 879,371
Operating expenses	190,201	173,252
	$ 1,062,088	$ 1,052,623

g. Employee’s compensation and remuneration of directors and supervisors

The Corporation accrued employees’ compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 1%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors and supervisors. The Corporation incurred a deficit for the years ended December 31, 2017 and 2016; thus, neither employees’ compensation nor remuneration of directors and supervisors was estimated.

There was no difference between the actual amounts of employees’ compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2015.

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2017	2016
Foreign exchange losses	$ (411,172)	$ (627,240)
Foreign exchange gains	203,155	698,000
	$ (208,017)	$ 70,760

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax benefits recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax		
Adjustments for prior years	$ 127	$ (2,963)
Deferred tax		
In respect of the current year	(136,466)	(58,906)
Income tax benefits recognized in profit or loss	$ (136,339)	$ (61,869)

A reconciliation of accounting loss and income tax benefits recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2017	2016
Loss before tax from continuing operations	$ (1,362,599)	$ (1,545,790)
Income tax benefits calculated at the statutory rate	$ (231,642)	$ (262,784)
Nondeductible expenses in determining taxable income	872	471
Unrecognized deductible temporary differences	4,284	12,069
Unrecognized loss carryforwards	90,020	191,338
Adjustments for prior years' tax	127	(2,963)
Income tax (benefits) expenses recognized in profit or loss	$ (136,339)	$ 61,869

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by NT$9,478 thousand in 2018.

b. Current tax assets and liabilities

	For the Year Ended December 31	
	2017	**2016**
Current tax liabilities		
Income tax payable	$ -	$ -

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Balance, Beginning of Year	**Movements**	**Balance, End of Year**
Deferred tax assets			
Temporary differences			
Unrealized loss on inventories	$ 70,800	$ (2,069)	$ 68,731
FVTPL financial assets	3,370	(3,311)	59
Deferred revenue	952	3,208	4,160
Unrealized foreign exchange gains	(51,687)	51,795	108
Provisions	575	1,499	2,074
Others	(13,557)	(921)	(14,478)
	10,453	50,201	60,654
Deferred tax liabilities			
Temporary differences			
Share of profit of associates accounted for using equity method	93,033	(86,265)	6,768
Others	179	-	179
	93,212	(86,265)	6,947
	$ (82,759)	$ 136,466	$ 53,707

For the year ended December 31, 2016

	Balance, Beginning of Year	Movements	Balance, End of Year
Deferred tax assets			
Temporary differences			
Unrealized loss on inventories	$ 59,026	$ 11,774	$ 70,800
FVTPL financial assets	(1,076)	4,446	3,370
Deferred revenue	15,306	(14,354)	952
Unrealized foreign exchange gains	(3,990)	(47,697)	(51,687)
Provisions	1,673	(1,098)	575
Others	(15,629)	2,072	(13,557)
	55,310	(44,857)	10,453
Deferred tax liabilities			
Temporary differences			
Share of profit of associates accounted for using equity method	196,683	(103,650)	93,033
Others	292	(113)	179
	196,975	(103,763)	93,212
	$ 141,665	$ 58,906	$ (82,759)

d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2017	2016
Loss carryforwards		
Expire in 2026	$ 1,163,129	$ 1,163,129
Expire in 2027	529,529	-
	$ 1,692,658	$ 1,163,129
Deductible temporary differences	$ 404,300	$ 416,472

e. Information about unused loss carryforwards and tax exemptions

As of December 31, 2017, profit attributable to the following expansion project was exempted from income tax due to the Corporation funding the production of polarizing film used for flat panel displays:

Expansion of Construction Project	Tax-exemption Period
First time income tax exemption for construction project expansion	May 31, 2012 to May 30, 2017

f. Integrated income tax

	For the Year Ended December 31	
	2017	2016
Unappropriated earnings		
Generated on or after January 1, 1998	(Note)	$ 4,182,188
Shareholder-imputed credits account	(Note)	$ 568,411

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	(Note)	13.59%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

g. Income tax assessments

The Corporation's income tax returns through 2015 have been assessed by the tax authorities.

22. LOSS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic loss per share	$ (2.18)	$ (2.88)
Diluted loss per share	$ (2.18)	$ (2.88)

The loss and weighted average number of common shares outstanding in the computation of loss per share were as follows:

Net Loss for the Year

	For the Year Ended December 31	
	2017	2016
Loss used in the computation of basic and diluted loss per share	$ (1,226,260)	$ (1,483,921)

Weighted average number of common shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2017	2016
Weighted average number of common shares in the computation of basic and diluted loss per share	561,345	515,729

23. GOVERNMENT GRANTS

In August 2016, the Corporation applied for a government grant of NT$16,524 thousand towards its project related to an industrial upgrading innovation platform from the Institute for Information Industry. The period of the grant is from January 1, 2016 to June 30, 2017. The Corporation complied with the conditions attached to such government grant, and therefore, NT$5,758 thousand was recognized as other income as of and for the year ended December 31, 2017.

24. ACQUISITIONS OF SUBSIDIARIES - WITH OBTAINED CONTROL

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
KK	Trade	March 3, 2017	67.14	$ 12,878

KK was acquired in order to reduce the cost of purchasing materials.

For details about the acquisition of KK, refer to Note 26 to the Corporation's consolidated financial statements for the year ended December 31, 2017.

25. DISPOSALS OF SUBSIDIARIES - WITH LOSS OF CONTROL

On December 21, 2017, the Corporation entered into a sale agreement with its affiliate, Zhejiang Hengjie Co., Ltd., to dispose of Ki Kin Corporation ("KK"). The disposal was completed on December 25, 2017, on which date control of KK passed to the acquirer. For details about the disposal of KK, refer to Note 27 to the Corporation's consolidated financial statements for the year ended December 31, 2017.

26. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests) and equity attributable to the owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders and/or the number of new shares issued.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or cannot be reliably measured.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 349	$ -	$ 349

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 19,822	$ -	$ 19,822

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Loans and receivables (1)	$ 5,722,711	$ 6,041,636
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	349	19,822
Amortized cost (2)	3,351,505	5,028,550

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents and accounts receivable (including related parties).

2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, accounts payable (including related parties), payables for equipment and payables for interest.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity, accounts receivable, accounts payable, and loans. The Corporation's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risk. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Corporation's activities exposed it primarily to the financial risk of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Corporation entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on dollar-denominated assets generated by sales and yen-denominated liabilities generated by the import of raw materials from Japan.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 100% of the Corporation's sales were denominated in currencies other than the functional currency, whilst almost 98% of costs were denominated in the Corporation's functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Corporation was mainly exposed to the U.S. dollar and JPY.

The following table details the Corporation's sensitivity to a 0.5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign currency exchange rates is 0.5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the end of the reporting period for a 0.5% change in foreign currency rates. A positive number below indicates a decrease in the pre-tax profit associated with the

New Taiwan dollar strengthening 0.5% against the relevant currency. For a 0.5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on the pre-tax profit, and the balances below would be negative.

	U.S. Dollar Impact		**JPY Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Profit or loss	$ 19,791(i)	$ 19,111(i)	$(2,325)(ii)	$(8,978)(ii)

i. This was mainly attributable to the exposure outstanding on U.S. dollar receivables, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure outstanding on JPY payables, which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Corporation was exposed to interest rate risk because entities in the Corporation borrowed funds at fixed interest rates. Hedging activities are evaluated regularly to align with interest rate views and a defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 2,000	$ 129,000
Financial liabilities	1,251,999	2,800,535
Cash flow interest rate risk		
Financial assets	2,857,187	1,162,328

Sensitivity analysis

The sensitivity analysis below were determined based on the Corporation's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2017 and 2016 would decrease/increase by NT$7,143 thousand and NT$2,906 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to a failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The information that was evaluated by the Corporation about the credit ratings of the counterparties is supplied by independent rating agencies where available and, if not available, the Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Corporation annually.

Ongoing credit evaluation is performed on the financial condition of the accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Corporation's concentration of credit risk of 95% and 86% in total accounts receivable as of December 31, 2017 and 2016, respectively, was related to the Corporation's five largest customers.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants.

The Corporation relies on bank loans as a significant source of liquidity. As of December 31, 2017 and 2016, the Corporation had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2017

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing	$ 2,088,438	$ 1,400	$ 9,525
Variable interest rate liabilities	100,000	-	-
Fixed interest rate liabilities	1,151,650	-	-
	$ 3,340,088	$ 1,400	$ 9,525

December 31, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing	$ 2,242,617	$ -	$ 2,978
Fixed interest rate liabilities	2,780,713	-	-
	$ 5,023,330	$ -	$ 2,978

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following tables detail the Corporation's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2017

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 297,251	$ -	$ -	$ -	$ -
Outflows	297,600	-	-	-	-

December 31, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 689,678	$ -	$ -	$ -	$ -
Outflows	709,500	-	-	-	-

c) Financing facilities

	December 31	
	2017	2016
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	$ 2,380,615	$ 3,916,208
Amount unused	7,176,985	7,151,295
	$ 9,557,600	$ 11,067,503

28. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and relationship

Related Party Name	Related Party Category
Chi Mei Corporation	Investors with significant influence over the Corporation (Note 1)
Tree Valley Foundation	Affiliates
Zhejiang Hengjie Co., Ltd. (“ZH”)	Affiliates
Ningbo Chi Mei Materials Technology Co., Ltd. (“NBCMMT”)	Subsidiaries
Chi Mei Visual Technology Corporation (“CMVT”)	Subsidiaries
Kunshan Chimei Materials Trading Corp. (“KSCMS”)	Subsidiaries
Kunshan Chimei Materials Technology Corp. (“KSCMMT”)	Subsidiaries
Ki Kin Corporation (“KK”)	Affiliates (Note 2)

Note 1: Chi Mei Corporation, which was a corporate director of the Corporation, resigned on November 9, 2017. Since then it no longer has had a significant influence.

Note 2: KK was acquired on March 3, 2017 and was disposed of on December 25, 2017. For the details of the acquisition and disposal of KK, refer to Notes 24 and 25.

b. Sales revenue

Related Party Category	For the Year Ended December 31 2017	2016
Subsidiaries		
NBCMMT	$ 4,080,812	$ 4,190,800
Other	186,457	17,739
	$ 4,267,269	$ 4,208,538

Prices and terms were determined in accordance with mutual agreements between the Corporation and other related parties.

c. Receivables from related parties

Account Category	Related Party Category	December 31 2017	2016
Accounts receivable	Subsidiaries		
	NBCMMT	$ 1,562,229	$ 3,165,821
	Other	25,370	18,778
		$ 1,587,599	$ 3,184,599
Other receivables	Subsidiaries		
	KSCMMT	$ 147,619	$ 69,529
	Other	502	8,443
	Affiliates	12,422	-
		$ 160,543	$ 77,972

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2017 and 2016, no impairment losses were recognized for accounts receivable from related parties.

d. Payables to related parties

Account Category	Related Party Category	December 31 2017	2016
Accounts payable	Subsidiaries		
	NBCMMT	$ 138,723	$ 348,539
	Other	864	1,721
		$ 139,587	$ 350,260
Other payables	Subsidiaries	$ 4,418	$ 2,791
	Affiliates	578	-
	Investors with significant influence over the Corporation	350	-
		$ 5,346	$ 2,791

The outstanding trade payables from related parties are unsecured.

e. Prepayments

Related Party Category	For the Year Ended December 31 2017	2016
Subsidiaries	$ 6,783	$ -

f. Advance receipts

Related Party Category	For the Year Ended December 31 2017	2016
Subsidiaries		
KSCMMT	$ 18,283	$ -
Other	-	646
	$ 18,283	$ 646

g. Acquisitions of property, plant and equipment

Related Party Category	For the Year Ended December 31 2017	2016
Subsidiaries	$ -	$ 2,583

h. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds For the Year Ended December 31 2017	2016	Gain (Loss) on Disposals For the Year Ended December 31 2017	2016
Subsidiaries	$ -	$ 484	$ -	$ 121

i. Disposals of subsidiaries - KK

Related Party Category/Name	Proceeds For the Year Ended December 31 2017	2016	Gain (Loss) on Disposals For the Year Ended December 31 2017	2016
ZH	$ 12,436	$ -	$ 1,303	$ -

j. Operating expenses

Related Party Category	For the Year Ended December 31 2017	2016
Subsidiaries	$ 12,990	$ 16,739
Affiliates	583	-
Investors with significant influence over the Corporation	1,367	1,974
	$ 14,940	$ 18,713

k. Rental income

Related Party Category	For the Year Ended December 31	
	2017	2016
CMVT	$ 2,905	$ 2,905
Affiliates	54	54
	$ 2,959	$ 2,959

The rental terms of the contracts between the Corporation and other related parties are comparable to market transactions.

l. Other income

Related Party Category	For the Year Ended December 31	
	2017	2016
Subsidiaries		
KSCMMT	$ 119,484	$ -
Other	188	-
	$ 119,672	$ -

m. Compensation of key management personnel

Related Party Category	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 17,817	$ 27,753
Post-employment benefits	352	584
	$ 18,169	$ 28,337

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariffs of imported raw materials guarantees:

	December 31	
	2017	2016
Restricted assets pledged deposits	$ 2,000	$ -

30. SIGNIFICANT LOSSES FROM DISASTERS

Due to the earthquake on February 6, 2016, the Corporation recognized related earthquake losses of NT$33,870 thousand (including repair expenses of factories and impairment of inventories), net of insurance claims for the year ended December 31, 2016.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2017 and 2016 were as follows:

a. As of December 31, 2017 and 2016, unused letters of credit for purchases of raw materials were as follows:

	For the Year Ended December 31	
	2017	**2016**
JPY	$ 1,796,326	$ 1,441,356

b. As of December 31, 2017 and 2016, the amounts of guarantees provided by financial institutions for the purpose of importing goods were NT$8,000 thousand and NT$20,766 thousand, respectively.

c. As of December 31, 2017 and 2016, the unpaid amounts of the construction contracts that the Corporation entered into for the expansion of factories and machinery equipment were NT$16,532 thousand and NT$12,096 thousand, respectively.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 153,155	29.76	$ 4,557,880
JPY	4,561,366	0.2642	1,205,113
RMB	738	4.565	3,368
Financial liabilities			
Monetary items			
USD	10,148	29.76	302,008
JPY	7,446,142	0.2642	1,967,271
RMB	187	4.565	853
EUR	29	35.57	1,032
Non-monetary items			
USD	10	29.76	349

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 155,115	32.25	$ 5,002,459
JPY	3,651,962	0.2756	1,006,481
RMB	7,545	4.617	34,835
Financial liabilities			
Monetary items			
USD	14,599	32.25	470,818
JPY	12,669,368	0.2756	3,491,678
Non-monetary items			
USD	615	32.25	19,822

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange (losses) gains were NT$(208,017) thousand and NT$70,760 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: Table 1

2) Endorsements/guarantees provided: Table 2

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 3

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5

9) Trading in derivative instruments: Note 27

10) Intercompany relationships and significant intercompany transactions: Table 6

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 8

    a) The amounts and percentages of purchases and the balances and percentages of the related payables at the end of the period.

    b) The amounts and percentages of sales and the balances and percentages of the related receivables at the end of the period.

TABLE 1

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Foreign Currencies in Thousands)	Ending Balance (Foreign Currencies in Thousands)	Actual Borrowing Amount (Foreign Currencies in Thousands)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)
													Item	Value		
1	KSCMMT	KSCMS	Other receivables - related parties	Yes	$ 455,100 RMB 100,000	$ - RMB -	$ - RMB -	4.35%	Short-term financing	$ -	Operating capital	$ -	None	$ -	$ 1,490,339	$ 2,235,509

Note 1: The total amount for lending to a company for funding shall not exceed 40% of the net asset value of KSCMMT.

Note 2: The financing company’s aggregate amount available for lending to borrowers should not exceed 60% of KSCMMT’s net asset value.

TABLE 2

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Foreign Currencies in Thousands)	Outstanding Endorsement/ Guarantee at the End of the Period (Foreign Currencies in Thousands)	Actual Borrowing Amount (Foreign Currencies in Thousands)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	KSCMMT	Note 1	$ 5,672,865	$ 2,814,800 USD 94,583	$ 2,814,800 USD 94,583	$ 1,290,542 USD 43,365	$ -	24.81	$ 11,345,730	Yes	No	Yes
1	KSCMMT	KSCMS	Subsidiary	2,235,509	1,826,000 RMB 400,000	1,826,000 RMB 400,000	755,174 RMB 165,427	-	49.01	3,725,848	Yes	No	Yes

Note 1: The Corporation and the other shareholders mutually invested in the endorsee/guarantee based on their respective ownership percentages.

Note 2: According to the “Rules of Guarantees by The Corporation”, the ceiling for the total guaranteed amount was the Corporation’s net asset value, and the limit of guaranteed amount for a single party was 50% of the Corporation’s net asset value.

Note 3: According to the “Rules of Guarantees by KSCMMT”, the ceiling for the total guaranteed amount was KSCMMT’s net asset value, and the limit of guaranteed amount for a single party was 60% of KSCMMT’s net asset value.

TABLE 3

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and In Thousands of Renminbi, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
	Structured deposits													
KSCMMT	Rural Commercial Bank of Zhangjiagang	Financial instruments at FVTPL - current	-	-	-	$ -	-	RMB 70,000	-	RMB 70,409	RMB 70,000	RMB 409	-	RMB -
	Industrial and Commercial Bank of China	Financial instruments at FVTPL - current	-	-	-	-	-	RMB 100,000	-	RMB 100,613	RMB 100,000	RMB 613	-	RMB -
	Kunshan Rural Commercial Bank	Financial instruments at FVTPL - current	-	-	-	-	-	RMB 305,000	-	RMB 306,549	RMB 305,000	RMB 1,549	-	RMB -

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	NBCMMT	100% indirectly held subsidiary of the Corporation	Sale	$ 4,080,812	49.18	Open account 120 days	$ -	-	$ 1,562,229	59.51	-
The Corporation	KSCMMT	49% indirectly held subsidiary of the Corporation	Sale	129,411	1.56	Open account 90 days	-	-	11,298	-	-
KSCMS	ZH	Subsidiary of investor with significant influence over the Corporation	Sale	211,891	12.35	Open account 90 days	-	-	-	-	-
NBCMMT	KSCMMT	Fellow subsidiary	Sale	338,200	6.28	Open account 90 days	-	-	119,480	8.49	-

TABLE 5

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Corporation	NBCMMT	100% indirectly held subsidiary of the Corporation	$ 1,562,229	1.73	$ -	-	$ 691,542	$ -
NBCMMT	KSCMMT	Fellow subsidiary	119,480	5.65	-	-	5	-

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
The Corporation	CMMTS	Samoa Islands	Investment company	$ 431,482	$ 431,482	13,300	100	$ 830,270	$ (171,831)	$ (171,831)	Note 1
	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	205,000	205,000	20,500	68.33	94,399	(29,737)	(20,319)	Note 1
	CMMTI	Samoa Islands	Investment company	2,230,328	2,230,328	73,500	100	1,825,404	(304,957)	(304,957)	Note 1
	CTI	Tainan City, Taiwan	Investment company	50,000	50,000	5,000	100	26,023	(3,862)	(3,862)	Note 1
	CTT	Tainan City, Taiwan	Trade	1,000	-	100	100	975	(25)	(25)	Note 1
	KK	Tokyo, Japan	Trade	-	-	-	-	-	(2,802)	(1,745)	Note 1
CTI	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	39,000	39,000	3,900	13	15,083	(29,737)	(3,866)	Note 1

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: For investments in mainland China, refer to Table 7.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Product	Paid-in Capital (Foreign Currencies in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Foreign Currencies in Thousands)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Foreign Currencies in Thousands)	Net Income (Loss) of the Investee (Foreign Currencies in Thousands)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Foreign Currencies in Thousands) (Note 2)	Carrying Amount as of December 31, 2017 (Foreign Currencies in Thousands) (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outflow	Inflow						
NBCMMT	Electronic component manufacture and sale	RMB 131,946	Note 1	$ 431,482 USD 13,300	$ -	$ -	$ 431,482 USD 13,300	$ (171,772) RMB (38,477)	100	$ (184,585) RMB (41,347)	$ 846,933 RMB 185,528	$ -
KSCMMT	Electronic component manufacture and sale	RMB 948,460	Note 1	2,230,328 USD 73,500	-	-	2,230,328 USD 73,500	(622,275) RMB (137,834)	49	(304,915) RMB (67,539)	1,825,666 RMB 399,927	-
KSCMS	Trade	RMB 50,000	Note 1	-	-	-	-	13,323 RMB 2,956	49	6,528 RMB 1,448	118,931 RMB 26,053	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 (Foreign Currencies in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$2,661,810 (USD 86,800)	$2,661,810 (USD 86,800)	$6,807,438

Note 1: The method of investment is investing in an existing company through a third party.

Note 2: Net income (loss) of the investee and the balance of long-term equity investments were recognized on the basis of audited financial statements.

TABLE 8

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
NBCMMT	Sale	$ 4,080,812	49.18	Note	Note	Note	$ 1,562,229	59.51	$ 16,641	Note
KSCMMT	Sale	129,411	1.56	Note	Note	Note	11,298	-	-	Note

Note: Prices and terms were determined in accordance with mutual agreements and were comparable to market transactions.

Chimei Materials Technology Corp.

Chairman Jau-Yang Ho