

**Chi Mei Materials Technology Corporation
and Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Chi Mei Materials Technology Corporation

We have reviewed the accompanying consolidated balance sheets of Chi Mei Materials Technology Corporation (CMMT) and its subsidiaries (collectively referred to as the Corporation) as of September 30, 2017 and 2016 and the related consolidated statements of comprehensive income for the three months ended September 30, 2017 and 2016 and for the nine months ended September 30, 2017 and 2016 and consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36 "Review Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 2, 2017

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2017 (Reviewed)		December 31, 2016 (Audited)		September 30, 2016 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 29)	\$ 5,235,588	22	\$ 4,341,520	21	\$ 3,472,443	19
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	-	-	167,266	1	773,923	4
Available-for-sale financial assets - current (Notes 8 and 29)	-	-	12,028	-	12,020	-
Accounts receivable, net (Notes 9 and 29)	3,336,207	14	2,979,938	14	2,863,261	16
Other receivables (Note 9)	27,662	-	106,359	1	115,024	1
Other receivables - related parties (Notes 9 and 30)	5	-	5	-	5	-
Inventories (Note 10)	2,018,801	9	2,041,903	10	1,744,922	10
Other current assets (Note 15)	<u>1,046,657</u>	<u>5</u>	<u>827,578</u>	<u>4</u>	<u>393,140</u>	<u>2</u>
Total current assets	<u>11,664,920</u>	<u>50</u>	<u>10,476,597</u>	<u>51</u>	<u>9,374,738</u>	<u>52</u>
NON-CURRENT ASSETS						
Property, plant and equipment (Note 12)	11,306,393	48	9,639,819	47	8,106,963	45
Goodwill (Note 13)	8,929	-	8,056	-	8,056	-
Other intangible assets (Note 14)	95,921	-	50,552	-	44,417	-
Deferred tax assets (Notes 4 and 23)	48,934	-	-	-	-	-
Other non-current assets (Note 15)	<u>366,765</u>	<u>2</u>	<u>427,768</u>	<u>2</u>	<u>542,974</u>	<u>3</u>
Total non-current assets	<u>11,826,942</u>	<u>50</u>	<u>10,126,195</u>	<u>49</u>	<u>8,702,410</u>	<u>48</u>
TOTAL	<u>\$ 23,491,862</u>	<u>100</u>	<u>\$ 20,602,792</u>	<u>100</u>	<u>\$ 18,077,148</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term bank loans (Notes 16 and 29)	\$ 4,176,035	18	\$ 3,451,626	17	\$ 1,730,512	10
Short-term bills payable (Notes 16 and 29)	100,000	1	-	-	50,000	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	4,895	-	19,822	-	-	-
Notes payable (Notes 17 and 29)	75,511	-	-	-	-	-
Accounts payable (Notes 17 and 29)	1,268,662	5	1,864,954	9	1,763,450	10
Other payables (Note 18)	1,687,269	7	804,422	4	620,397	4
Other payables - related parties (Note 30)	216	-	269	-	613	-
Current tax liabilities (Notes 4 and 23)	1,097	-	436	-	64,605	-
Provisions - current (Note 19)	-	-	1,647	-	-	-
Current portion of long-term bank loans (Notes 16 and 29)	2,522,078	11	1,345,181	7	-	-
Other current liabilities (Note 18)	<u>31,685</u>	<u>-</u>	<u>32,059</u>	<u>-</u>	<u>23,277</u>	<u>-</u>
Total current liabilities	<u>9,867,448</u>	<u>42</u>	<u>7,520,416</u>	<u>37</u>	<u>4,252,854</u>	<u>24</u>
NON-CURRENT LIABILITIES						
Long-term bank loans (Notes 16 and 29)	-	-	-	-	470,084	3
Deferred tax liabilities (Notes 4 and 23)	-	-	82,759	-	91,425	-
Guarantee deposits	<u>176</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>85</u>	<u>-</u>
Total non-current liabilities	<u>176</u>	<u>-</u>	<u>82,844</u>	<u>-</u>	<u>561,594</u>	<u>3</u>
Total liabilities	<u>9,867,624</u>	<u>42</u>	<u>7,603,260</u>	<u>37</u>	<u>4,814,448</u>	<u>27</u>
EQUITY ATTRIBUTABLE TO THE OWNERS OF CMMT (Note 21)						
Share capital						
Common shares	<u>6,657,285</u>	<u>28</u>	<u>5,157,285</u>	<u>25</u>	<u>5,157,285</u>	<u>29</u>
Capital surplus	<u>856,768</u>	<u>4</u>	<u>453,761</u>	<u>2</u>	<u>450,699</u>	<u>2</u>
Retained earnings						
Legal reserve	1,085,124	4	1,085,124	5	1,085,124	6
Special reserve	202,973	1	36,849	-	36,849	-
Unappropriated earnings	<u>2,997,657</u>	<u>13</u>	<u>4,182,188</u>	<u>21</u>	<u>4,368,125</u>	<u>24</u>
	<u>4,285,754</u>	<u>18</u>	<u>5,304,161</u>	<u>26</u>	<u>5,490,098</u>	<u>30</u>
Other equity	<u>(254,621)</u>	<u>(1)</u>	<u>(202,973)</u>	<u>(1)</u>	<u>(146,441)</u>	<u>(1)</u>
Total equity attributable to the owners of CMMT	11,545,186	49	10,712,234	52	10,951,641	60
NON-CONTROLLING INTERESTS (Note 21)	<u>2,079,052</u>	<u>9</u>	<u>2,287,298</u>	<u>11</u>	<u>2,311,059</u>	<u>13</u>
Total equity	<u>13,624,238</u>	<u>58</u>	<u>12,999,532</u>	<u>63</u>	<u>13,262,700</u>	<u>73</u>
TOTAL	<u>\$ 23,491,862</u>	<u>100</u>	<u>\$ 20,602,792</u>	<u>100</u>	<u>\$ 18,077,148</u>	<u>100</u>

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

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
NET SALES	\$ 2,810,244	100	\$ 2,700,101	100	\$ 8,315,226	100	\$ 7,678,224	100
COST OF SALES (Notes 10 and 22)	<u>3,089,463</u>	<u>110</u>	<u>3,012,212</u>	<u>112</u>	<u>8,981,065</u>	<u>108</u>	<u>8,155,436</u>	<u>106</u>
GROSS LOSS	<u>(279,219)</u>	<u>(10)</u>	<u>(312,111)</u>	<u>(12)</u>	<u>(665,839)</u>	<u>(8)</u>	<u>(477,212)</u>	<u>(6)</u>
OPERATING EXPENSES (Notes 22 and 30)								
Selling and marketing expenses	60,236	2	60,688	2	158,071	2	169,928	2
General and administrative expenses	66,622	3	48,977	2	190,227	2	142,531	2
Research and development expenses	<u>92,757</u>	<u>3</u>	<u>86,011</u>	<u>3</u>	<u>297,799</u>	<u>4</u>	<u>228,147</u>	<u>3</u>
Total operating expenses	<u>219,615</u>	<u>8</u>	<u>195,676</u>	<u>7</u>	<u>646,097</u>	<u>8</u>	<u>540,606</u>	<u>7</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 33)	<u>-</u>	<u>-</u>	<u>4,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,764)</u>	<u>(1)</u>
LOSS FROM OPERATIONS	<u>(498,834)</u>	<u>(18)</u>	<u>(503,392)</u>	<u>(19)</u>	<u>(1,311,936)</u>	<u>(16)</u>	<u>(1,056,582)</u>	<u>(14)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 22 and 30)								
Other income	18,932	1	32,846	1	51,576	1	64,539	1
Other gains and losses	109,031	4	(7,907)	-	31,343	-	(289,426)	(4)
Finance costs	<u>(53,084)</u>	<u>(2)</u>	<u>(3,418)</u>	<u>-</u>	<u>(94,507)</u>	<u>(1)</u>	<u>(13,256)</u>	<u>-</u>
Total non-operating income and expenses	<u>74,879</u>	<u>3</u>	<u>21,521</u>	<u>1</u>	<u>(11,588)</u>	<u>-</u>	<u>(238,143)</u>	<u>(3)</u>
LOSS BEFORE INCOME TAX	<u>(423,955)</u>	<u>(15)</u>	<u>(481,871)</u>	<u>(18)</u>	<u>(1,323,524)</u>	<u>(16)</u>	<u>(1,294,725)</u>	<u>(17)</u>
INCOME TAX BENEFITS (EXPENSES) (Notes 4 and 23)	<u>5,818</u>	<u>-</u>	<u>26,192</u>	<u>1</u>	<u>125,765</u>	<u>2</u>	<u>(13,350)</u>	<u>-</u>
NET LOSS FOR THE PERIOD	<u>(418,137)</u>	<u>(15)</u>	<u>(455,679)</u>	<u>(17)</u>	<u>(1,197,759)</u>	<u>(14)</u>	<u>(1,308,075)</u>	<u>(17)</u>

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CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	\$ 70,187	3	\$ (194,811)	(7)	\$ (86,390)	(1)	\$ (321,935)	(4)
Unrealized loss on available-for-sale financial assets	-	-	(7,975)	-	(28)	-	(11,154)	-
Other comprehensive income (loss) for the period, net of income tax	70,187	3	(202,786)	(7)	(86,418)	(1)	(333,089)	(4)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (347,950)</u>	<u>(12)</u>	<u>\$ (658,465)</u>	<u>(24)</u>	<u>\$ (1,284,177)</u>	<u>(15)</u>	<u>\$ (1,641,164)</u>	<u>(21)</u>
NET LOSS								
ATTRIBUTABLE TO:								
Owners of CMMT	\$ (320,861)	(11)	\$ (444,955)	(17)	\$ (1,018,407)	(12)	\$ (1,297,984)	(17)
Non-controlling interests	(97,276)	(4)	(10,724)	-	(179,352)	(2)	(10,091)	-
	<u>\$ (418,137)</u>	<u>(15)</u>	<u>\$ (455,679)</u>	<u>(17)</u>	<u>\$ (1,197,759)</u>	<u>(14)</u>	<u>\$ (1,308,075)</u>	<u>(17)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:								
Owners of CMMT	\$ (280,756)	(10)	\$ (569,897)	(21)	\$ (1,070,055)	(13)	\$ (1,551,919)	(20)
Non-controlling interests	(67,194)	(2)	(88,568)	(3)	(214,122)	(2)	(89,245)	(1)
	<u>\$ (347,950)</u>	<u>(12)</u>	<u>\$ (658,465)</u>	<u>(24)</u>	<u>\$ (1,284,177)</u>	<u>(15)</u>	<u>\$ (1,641,164)</u>	<u>(21)</u>
LOSS PER SHARE (Note 24)								
Basic loss per share	<u>\$ (0.59)</u>		<u>\$ (0.86)</u>		<u>\$ (1.94)</u>		<u>\$ (2.52)</u>	
Diluted loss per share	<u>\$ (0.59)</u>		<u>\$ (0.86)</u>		<u>\$ (1.94)</u>		<u>\$ (2.52)</u>	

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
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of CMMT (Note 21)										
	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Total	Non-controlling Interests (Note 21)	Total Equity
	Shares (In Thousand)	Common Shares		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
BALANCE AT JANUARY 1, 2016	515,729	\$ 5,157,285	\$ 400,487	\$ 980,245	\$ 36,849	\$ 6,028,852	\$ 96,357	\$ 11,137	\$ 12,711,212	\$ 221,941	\$ 12,933,153
Appropriation of prior year's earnings											
Legal reserve	-	-	-	104,879	-	(104,879)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(257,864)	-	-	(257,864)	-	(257,864)
Changes in equity of subsidiaries	-	-	50,212	-	-	-	-	-	50,212	2,178,363	2,228,575
Net loss for the nine months ended September 30, 2016	-	-	-	-	-	(1,297,984)	-	-	(1,297,984)	(10,091)	(1,308,075)
Other comprehensive loss for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	-	(242,814)	(11,121)	(253,935)	(79,154)	(333,089)
Total comprehensive loss for the nine months ended September 30, 2016	-	-	-	-	-	(1,297,984)	(242,814)	(11,121)	(1,551,919)	(89,245)	(1,641,164)
BALANCE AT SEPTEMBER 30, 2016	515,729	\$ 5,157,285	\$ 450,699	\$ 1,085,124	\$ 36,849	\$ 4,368,125	\$ (146,457)	\$ 16	\$ 10,951,641	\$ 2,311,059	\$ 13,262,700
BALANCE AT JANUARY 1, 2017	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 capital reserve	-	-	-	-	166,124	(166,124)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	5,876	5,876
Net loss for the nine months ended September 30, 2017	-	-	-	-	-	(1,018,407)	-	-	(1,018,407)	(179,352)	(1,197,759)
Other comprehensive loss for the nine months ended September 30, 2017, net of income tax	-	-	-	-	-	-	(51,625)	(23)	(51,648)	(34,770)	(86,418)
Total comprehensive loss for the nine months ended September 30, 2017	-	-	-	-	-	(1,018,407)	(51,625)	(23)	(1,070,055)	(214,122)	(1,284,177)
Issue of common shares for cash	150,000	1,500,000	403,007	-	-	-	-	-	1,903,007	-	1,903,007
BALANCE AT SEPTEMBER 30, 2017	665,729	\$ 6,657,285	\$ 856,768	\$ 1,085,124	\$ 202,973	\$ 2,997,657	\$ (254,621)	\$ -	\$ 11,545,186	\$ 2,079,052	\$ 13,624,238

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

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (1,323,524)	\$ (1,294,725)
Adjustments for:		
Depreciation expenses	697,154	637,082
Amortization expenses	28,009	16,633
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(29,912)	2,055
Finance costs	92,793	12,629
Interest income	(33,888)	(33,869)
Gain on disposal of property, plant and equipment	(36)	-
Net gain on disposal of available-for-sale financial assets	(45)	(24,761)
Write-down of inventories	108,986	253,412
Net loss (gain) on foreign currency exchange	24,534	(156,720)
Reversal of provisions	(64)	-
Changes in operating assets and liabilities:		
Accounts receivable	(436,888)	599,115
Other receivables (including related parties)	74,645	(67,832)
Inventories	(78,554)	116,887
Prepayments	34,618	7,524
Other current assets	(196,418)	(143,889)
Notes payable	75,511	-
Accounts payable	(671,774)	(54,045)
Other payables (including related parties)	6,967	(126,017)
Provisions	(1,583)	-
Other current liabilities	(585)	(9,227)
Cash used in operations	(1,630,054)	(265,748)
Interest paid	(90,530)	(13,610)
Income tax paid	(1,973)	(142,426)
Net cash used in operating activities	(1,722,557)	(421,784)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of financial assets designated as at fair value through profit or loss	(2,832,998)	(769,652)
Proceeds from sale of financial assets designated as at fair value through profit or loss	3,010,702	-
Purchases of available-for-sale financial assets	-	(1,889,200)
Proceeds from sale of available-for-sale financial assets	12,045	2,086,029
Net cash inflow on acquisition of subsidiaries	5,343	-
Payments for property, plant and equipment	(1,423,903)	(1,564,323)
Proceeds from disposal of property, plant and equipment	392	2,534

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CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2017	2016
(Increase) decrease in refundable deposits	\$ (11,108)	\$ 1,153
Payments for intangible assets	(27,719)	(8,656)
(Increase) decrease in other financial assets	(57,371)	853,503
Decrease (increase) in other non-current assets	1,097	(2,023)
Increase in prepayments for equipment	(15,171)	(240,082)
Interest received	<u>38,069</u>	<u>33,925</u>
Net cash used in investing activities	<u>(1,300,622)</u>	<u>(1,496,792)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bills payable	100,000	50,000
Proceeds from (repayments of) short-term bank loans	641,681	(14,172)
Proceeds from long-term bank loans	1,252,630	470,084
Refunds of guarantee deposits received	91	10
Issue of common shares for cash	1,903,007	-
Changes in non-controlling interests	-	2,228,575
Dividends paid to shareholders	<u>-</u>	<u>(257,864)</u>
Net cash generated from financing activities	<u>3,897,409</u>	<u>2,476,633</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>19,838</u>	<u>(17,761)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	894,068	540,296
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>4,341,520</u>	<u>2,932,147</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 5,235,588</u>	<u>\$ 3,472,443</u>

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

(Concluded)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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) specialize 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

The accompanying consolidated financial statements were reported to the CMMT board of directors and issued on November 2, 2017.

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 Financial Supervisory Commission (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 for application starting from 2017 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 should be applied retrospectively 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 should 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 should 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, IFRS 13 and IAS 40 “Investment Property”, 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 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 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.

The amendments also require additional disclosure if there is a significant difference between the actual operations after a business combination and the expected benefits on the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions is enhanced. Refer to Note 30 for related disclosures.

- b. The 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

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
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

Recognition, 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 impairment loss, if any, 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 the collection of contractual cash flows and the sale of 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 gains or losses 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.

IFRS 9 requires impairment loss on financial assets to be recognized by using the expected credit loss model. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since its initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since its initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Corporation takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

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, an entity shall recognize 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 entity satisfies a performance obligation.

In addition, the Corporation will elect only to disclose the effect of the initial application of IFRS 15 in 2018.

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

The amendment clarifies 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 a 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 an appropriate type. The amendment also stipulates 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 deferred tax assets, the Corporation currently assumes that it will recover such assets at their carrying amounts when estimating the probable future taxable profit; the amendment will be applied retrospectively in 2018.

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)
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
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
IFRS 17 "Insurance Contracts"	January 1, 2021
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: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

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 the low-value and short-term leases. On the consolidated statements of comprehensive income, the Corporation should present the depreciation expense charged on the right-of-use asset separately from the interest expense accrued on a lease liability; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of a lease liability 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 uncertain tax treatments, 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 uncertain tax treatments, the Corporation should make estimates using either the most likely amount or the expected value of the tax treatments, depending on which method the entity expects

to better predict the resolution of the uncertainties. 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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

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. Basis of consolidation

See Note 11 and Table 7 following the Notes to Consolidated Financial Statements for the detailed information on subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2016.

1) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

2) 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 acquirer'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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of the consolidated financial statements for the year ended December 31, 2016 have been followed in the preparation of these consolidated financial statements for the nine months ended September 30, 2017.

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand	\$ 573	\$ 726	\$ 716
Checking accounts and demand deposits	4,803,978	1,861,558	883,415
Cash equivalents			
Time deposits with original maturities less than 3 months	431,037	2,350,236	2,418,968
Repurchase agreements collateralized by bonds	<u>-</u>	<u>129,000</u>	<u>169,344</u>
	<u>\$ 5,235,588</u>	<u>\$ 4,341,520</u>	<u>\$ 3,472,443</u>

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:

	September 30, 2017	December 31, 2016	September 30, 2016
Bank deposits	0.001%-2.70%	0.001%-2.01%	0.001%-3.90%
Repurchase agreements collateralized by bonds	-	1.35%	0.95%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Financial assets at FVTPL - current</u>			
Financial assets designated as at FVTPL			
Structured deposit (a)	\$ <u> -</u>	\$ <u>167,266</u>	\$ <u>771,954</u>
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts (b)	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 1,969</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts (b)	\$ <u> 4,895</u>	\$ <u> 19,822</u>	\$ <u> -</u>

- 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)		
<u>September 30, 2017</u>					
Sell	US\$/JPY	2017.10.6	US\$	8,000/JPY	881,400
<u>December 31, 2016</u>					
Sell	US\$/JPY	2017.1.5-2017.2.9	US\$	22,000/JPY	2,502,460
<u>September 30, 2016</u>					
Sell	US\$/JPY	2016.10.7	US\$	2,000/JPY	208,070

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

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Current</u>			
Domestic investments			
Mutual funds	\$ <u> -</u>	\$ <u> 12,028 </u>	\$ <u> 12,020 </u>

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Accounts receivable	\$ 3,336,207	\$ 2,981,461	\$ 2,863,261
Less: Allowance for impairment loss	<u> -</u>	<u> (1,523) </u>	<u> -</u>
	<u>\$ 3,336,207</u>	<u>\$ 2,979,938</u>	<u>\$ 2,863,261</u>
Other receivables	\$ 45,877	\$ 124,574	\$ 133,239
Other receivables - related parties	5	5	5
Less: Allowance for impairment loss	<u> (18,215) </u>	<u> (18,215) </u>	<u> (18,215) </u>
	<u>\$ 27,667</u>	<u>\$ 106,364</u>	<u>\$ 115,029</u>

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:

	September 30, 2017	December 31, 2016	September 30, 2016
Not past due	\$ 3,336,207	\$ 2,981,461	\$ 2,863,261
Up to 30 days	-	-	-
31-60 days	-	-	-
61-90 days	-	-	-
91-120 days	-	-	-
More than 120 days	<u> -</u>	<u> -</u>	<u> -</u>
	<u>\$ 3,336,207</u>	<u>\$ 2,981,461</u>	<u>\$ 2,863,261</u>

The above aging schedule was based on the days past due 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 and September 30, 2016	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Balance at January 1, 2017	\$ 1,523	\$ -	\$ 1,523
Less: Amount written off during the period	<u>(1,523)</u>	<u>-</u>	<u>(1,523)</u>
Balance at September 30, 2017	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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 September 30, 2017 and 2016	\$ <u>18,215</u>	\$ <u>-</u>	\$ <u>18,215</u>

10. INVENTORIES

	September 30, 2017	December 31, 2016	September 30, 2016
Finished goods	\$ 215,589	\$ 576,187	\$ 504,614
Work in progress	557,190	367,820	310,528
Raw materials	1,246,018	1,097,896	929,780
Commodities	<u>4</u>	<u>-</u>	<u>-</u>
	\$ <u>2,018,801</u>	\$ <u>2,041,903</u>	\$ <u>1,744,922</u>

The cost of inventories recognized as cost of goods sold was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Cost of inventories	\$ <u>3,089,463</u>	\$ <u>3,012,212</u>	\$ <u>8,981,065</u>	\$ <u>8,155,436</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
(Reversal of) inventory write-downs	\$ <u>(171,809)</u>	\$ <u>177,015</u>	\$ <u>108,986</u>	\$ <u>253,412</u>

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

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			September 30, 2017	December 31, 2016	September 30, 2016	
CMMT	Chimei Materials Technology (SAMOA) Corp. ("CMMTS")	Investment company	100%	100%	100%	-
	Chi Mei Visual Technology Corporation ("CMVT")	Electronic component manufacture and sale	68.33%	68.33%	68.33%	-
	Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Investment company	100%	100%	100%	-
	Chi Tsai Investment Co., Ltd. ("CTI")	Investment company	100%	100%	100%	-
	Chi Tsai Trading Co., Ltd. ("CTT")	Trade	100%	-	-	1)
	Ki Kin Corporation ("KK")	Trade	67.14%	-	-	2)
CMMTS	Ningbo Chi Mei Materials Technology Co., Ltd. ("NBCMMT")	Electronic component manufacture and sale	100%	100%	100%	-
CMMTI	Kunshan Chimei Materials Technology Corp. ("KSCMMT")	Electronic component manufacture and sale	49%	49%	49%	-
KSCMMT	Kunshan Chimei Materials Trading Corp. ("KSCMS")	Trade	100%	100%	100%	-
CTI	Chi Mei Visual Technology Corporation ("CMVT")	Electronic component manufacture and sale	13%	13%	15%	3)

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 had injected JPY47,000 thousand into JJ, which raised the Corporation's percentage of ownership over KK to 67.14%.
- 3) CTI disposed of a portion of its shares in CMVT for NT\$6,000 thousand in December 2016, reducing its continuing interest from 15% to 13%.

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	September 30, 2017	December 31, 2016	September 30, 2016
Kunshan Chimei Materials Technology Corp. ("KSCMMT")	51%	51%	51%

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

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests				Accumulated Non-controlling Interests		
	For the Three Months Ended September 30		For the Nine Months Ended September 30		September 30, 2017	December 31, 2016	September 30, 2016
	2017	2016	2017	2016	2017	2016	2016
KSCMMT	\$ (96,696)	\$ (9,775)	\$ (175,429)	\$ (10,900)	\$ 2,036,287	\$ 2,246,382	\$ 2,271,724
Others	(580)	(949)	(3,923)	809	42,765	40,916	39,335
	<u>\$ (97,276)</u>	<u>\$ (10,724)</u>	<u>\$ (179,352)</u>	<u>\$ (10,091)</u>	<u>\$ 2,079,052</u>	<u>\$ 2,287,298</u>	<u>\$ 2,311,059</u>

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:

	September 30, 2017	December 31, 2016	September 30, 2016	
Current assets	\$ 3,095,535	\$ 2,202,529	\$ 2,640,573	
Non-current assets	6,398,148	4,326,159	2,511,055	
Current liabilities	(5,500,867)	(2,124,018)	(227,183)	
Non-current liabilities	<u>(96)</u>	<u>-</u>	<u>(470,084)</u>	
Equity	<u>\$ 3,992,720</u>	<u>\$ 4,404,670</u>	<u>\$ 4,454,361</u>	
Equity attributable to:				
Owners of CMMT	\$ 1,956,433	\$ 2,158,288	\$ 2,182,637	
Non-controlling interests of KSCMMT	<u>2,036,287</u>	<u>2,246,382</u>	<u>2,271,724</u>	
	<u>\$ 3,992,720</u>	<u>\$ 4,404,670</u>	<u>\$ 4,454,361</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Revenue	<u>\$ 506,128</u>	<u>\$ -</u>	<u>\$ 920,802</u>	<u>\$ -</u>
Net loss for the year	\$ (189,600)	\$ (19,167)	\$ (343,978)	\$ (32,553)
Other comprehensive loss for the year	<u>(130,522)</u>	<u>(7,983)</u>	<u>(257,573)</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (320,122)</u>	<u>\$ (27,150)</u>	<u>\$ (601,551)</u>	<u>\$ (32,553)</u>
Loss attributable to:				
Owners of CMMT	\$ (92,904)	\$ (9,392)	\$ (168,549)	\$ (21,653)
Non-controlling interests of KSCMMT	<u>(96,696)</u>	<u>(9,775)</u>	<u>(175,429)</u>	<u>(10,900)</u>
	<u>\$ (189,600)</u>	<u>\$ (19,167)</u>	<u>\$ (343,978)</u>	<u>\$ (32,553)</u>
Total comprehensive loss attributable to:				
Owners of CMMT	\$ (63,956)	\$ (3,912)	\$ (126,211)	\$ -
Non-controlling interests of KSCMMT	<u>(66,566)</u>	<u>(4,071)</u>	<u>(131,362)</u>	<u>-</u>
	<u>\$ (130,522)</u>	<u>\$ (7,983)</u>	<u>\$ (257,573)</u>	<u>\$ -</u>

	For the Nine Months Ended September 30	
	2017	2016
Net cash inflows (outflows) from:		
Operating activities	\$ (1,262,174)	\$ (721,873)
Investing activities	(1,256,630)	(1,112,019)
Financing activities	<u>2,077,316</u>	<u>2,808,943</u>
Net cash (outflows) inflows	<u>\$ (441,488)</u>	<u>\$ 975,051</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>								
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	-	21,986	50,703	3,392	38,714	3,076	1,347,447	1,465,318
Disposals	-	-	(214,551)	(3,985)	(24,252)	(17,407)	-	(260,195)
Effect of foreign currency exchange differences	-	(21,833)	(46,647)	(1,401)	(6,273)	(2,921)	(100,103)	(179,178)
Reclassification	-	1,875	225,234	3,233	19,374	7,348	326,739	583,803
Balance at September 30, 2016	<u>\$ 1,428,543</u>	<u>\$ 3,626,365</u>	<u>\$ 5,335,099</u>	<u>\$ 62,555</u>	<u>\$ 3,533,343</u>	<u>\$ 239,223</u>	<u>\$ 2,245,024</u>	<u>\$ 16,470,152</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2016	\$ -	\$ 1,016,412	\$ 3,975,402	\$ 36,412	\$ 2,797,150	\$ 191,039	\$ -	\$ 8,016,415
Disposals	-	-	(214,551)	(3,985)	(24,252)	(14,873)	-	(257,661)
Depreciation expenses	-	110,693	360,528	7,021	143,429	15,411	-	637,082
Effect of foreign currency exchange differences	-	(8,439)	(16,397)	(801)	(4,422)	(2,588)	-	(32,647)
Balance at September 30, 2016	<u>\$ -</u>	<u>\$ 1,118,666</u>	<u>\$ 4,104,982</u>	<u>\$ 38,647</u>	<u>\$ 2,911,905</u>	<u>\$ 188,989</u>	<u>\$ -</u>	<u>\$ 8,363,189</u>
Carrying amounts at September 30, 2016	<u>\$ 1,428,543</u>	<u>\$ 2,507,699</u>	<u>\$ 1,230,117</u>	<u>\$ 23,908</u>	<u>\$ 621,438</u>	<u>\$ 50,234</u>	<u>\$ 2,245,024</u>	<u>\$ 8,106,963</u>
<u>Cost</u>								
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	-	3,380	36,441	928	38,120	50,420	2,171,610	2,300,899
Disposals	-	-	(458)	(337)	-	(487)	-	(1,282)
Effect of foreign currency exchange differences	-	79,586	6,167	(289)	12,478	353	(30,388)	67,907
Reclassification	-	3,481,333	1,330,202	1,771	1,019,863	36,488	(5,882,910)	(13,253)
Balance at September 30, 2017	<u>\$ 1,428,543</u>	<u>\$ 7,187,413</u>	<u>\$ 6,741,599</u>	<u>\$ 66,942</u>	<u>\$ 4,626,241</u>	<u>\$ 321,877</u>	<u>\$ 437,477</u>	<u>\$ 20,810,092</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2017	\$ -	\$ 1,153,251	\$ 4,200,351	\$ 40,858	\$ 2,957,587	\$ 186,792	\$ 277,163	\$ 8,816,002
Disposals	-	-	(103)	(336)	-	(487)	-	(926)
Depreciation expenses	-	198,059	293,165	6,768	180,949	18,213	-	697,154
Effect of foreign currency exchange differences	-	(630)	(3,056)	(166)	(205)	(512)	(3,962)	(8,531)
Balance at September 30, 2017	<u>\$ -</u>	<u>\$ 1,350,680</u>	<u>\$ 4,490,357</u>	<u>\$ 47,124</u>	<u>\$ 3,138,331</u>	<u>\$ 204,006</u>	<u>\$ 273,201</u>	<u>\$ 9,503,699</u>
Carrying amounts at December 31, 2016 and January 1, 2017	<u>\$ 1,428,543</u>	<u>\$ 2,469,863</u>	<u>\$ 1,168,896</u>	<u>\$ 24,011</u>	<u>\$ 598,193</u>	<u>\$ 48,311</u>	<u>\$ 3,902,002</u>	<u>\$ 9,639,819</u>
Carrying amounts at September 30, 2017	<u>\$ 1,428,543</u>	<u>\$ 5,836,733</u>	<u>\$ 2,251,242</u>	<u>\$ 19,818</u>	<u>\$ 1,487,910</u>	<u>\$ 117,871</u>	<u>\$ 164,276</u>	<u>\$ 11,306,393</u>

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	3-10 years

13. GOODWILL

	September 30	
	2017	2016
Balance at the beginning of the period	\$ 8,056	\$ 8,056
Additional amounts recognized from business combinations occurring during the period (Note 26)	<u>873</u>	<u>-</u>
Balance at the end of the period	<u>\$ 8,929</u>	<u>\$ 8,056</u>

14. OTHER INTANGIBLE ASSETS

	Computer Software	Core Technology	Licenses and Franchises	Total
<u>Cost</u>				
Balance at January 1, 2016	\$ 50,420	\$ 47,000	\$ 9,200	\$ 106,620
Additions	<u>8,656</u>	<u>-</u>	<u>-</u>	<u>8,656</u>
Balance at September 30, 2016	<u>\$ 59,076</u>	<u>\$ 47,000</u>	<u>\$ 9,200</u>	<u>\$ 115,276</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2016	\$ 39,370	\$ 16,842	\$ 2,760	\$ 58,972
Amortization expenses	6,991	3,525	1,380	11,896
Effect of foreign currency exchange differences	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
Balance at September 30, 2016	<u>\$ 46,352</u>	<u>\$ 20,367</u>	<u>\$ 4,140</u>	<u>\$ 70,859</u>
Carrying amounts at September 30, 2016	<u>\$ 12,724</u>	<u>\$ 26,633</u>	<u>\$ 5,060</u>	<u>\$ 44,417</u>

(Continued)

	Computer Software	Core Technology	Licenses and Franchises	Total
<u>Cost</u>				
Balance at January 1, 2017	\$ 69,525	\$ 47,000	\$ 9,200	\$ 125,725
Additions	27,719	-	-	27,719
Retirement	(27,289)	-	-	(27,289)
Reclassification	41,642	-	-	41,642
Effect of foreign currency exchange differences	<u>(52)</u>	<u>-</u>	<u>-</u>	<u>(52)</u>
Balance at September 30, 2017	<u>\$ 111,545</u>	<u>\$ 47,000</u>	<u>\$ 9,200</u>	<u>\$ 167,745</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2017	\$ 49,031	\$ 21,542	\$ 4,600	\$ 75,173
Amortization expenses	18,969	3,525	1,380	23,874
Retirement	(27,289)	-	-	(27,289)
Effect of foreign currency exchange differences	<u>66</u>	<u>-</u>	<u>-</u>	<u>66</u>
Balance at September 30, 2017	<u>\$ 40,777</u>	<u>\$ 25,067</u>	<u>\$ 5,980</u>	<u>\$ 71,824</u>
Carrying amounts at December 31, 2016 and January 1, 2017	<u>\$ 20,494</u>	<u>\$ 25,458</u>	<u>\$ 4,600</u>	<u>\$ 50,552</u>
Carrying amounts at September 30, 2017	<u>\$ 70,768</u>	<u>\$ 21,933</u>	<u>\$ 3,220</u>	<u>\$ 95,921</u>
				(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

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Current</u>			
Offset against business tax payables	\$ 534,608	\$ 313,139	\$ 90,435
Prepayments	248,204	282,733	65,415
Pledged time deposits (a)	188,403	134,032	150,082
Temporary payments	60,052	56,205	39,952
Prepayments for leases	5,748	5,929	6,027
Other financial assets (b)	7,800	4,800	4,800
Payments on behalf of others	1,842	30,740	34,124
Others	<u>-</u>	<u>-</u>	<u>2,305</u>
	<u>\$ 1,046,657</u>	<u>\$ 827,578</u>	<u>\$ 393,140</u>
			(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Non-current</u>			
Prepayments for leases	\$ 257,945	\$ 265,837	\$ 271,720
Prepayments for purchases of equipment	90,343	153,602	264,386
Refundable deposits	15,586	4,457	4,845
Others	<u>2,891</u>	<u>3,872</u>	<u>2,023</u>
	<u>\$ 366,765</u>	<u>\$ 427,768</u>	<u>\$ 542,974</u> (Concluded)

- a. Refer to Note 31 for information on pledged time deposits.
- b. The market rate intervals of time deposits (investments with original maturities of more than three months) were 1.04%, 0.91%-1.04% and 0.88%-1.04% as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively.

16. LOANS

- a. Short-term bank loans

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Unsecured loans</u>			
Line of credit loans	<u>\$ 4,176,035</u>	<u>\$ 3,451,626</u>	<u>\$ 1,730,512</u>

The range of weighted average effective interest rates on bank loans was 0.59%-5.22%, 0.56%-1.98% and 0.56%-1.90% per annum as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively.

- b. Short-term bills payable

	September 30, 2017	December 31, 2016	September 30, 2016
Commercial paper	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>

The interest rate on commercial paper was 0.87% and 0.84% per annum as of September 30, 2017 and 2016, respectively.

c. Long-term bank loans

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Unsecured loans</u>			
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 3.20% and 3.10%-3.45% in 2017 and 2016, respectively	\$ 2,522,078	\$ 1,345,181	\$ 470,084
Less: Reclassified as current portion due to breaching certain terms of long-term loan arrangement	<u>2,522,078</u>	<u>1,345,181</u>	<u>-</u>
Long-term bank loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 470,084</u>

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.

As of December 31, 2016, the Corporation breached certain terms of its long-term loan arrangement, which are primarily related to the interest coverage ratio of the Corporation. As of December 31, 2016, the carrying amount of the bank loan was NT\$1,345,181 thousand. On discovery of the breach, management informed the lender and commenced renegotiation of the terms of the loan with the relevant banker. As of September 30, 2017, those negotiations had not concluded. 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 and September 30, 2017. 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. ACCOUNTS PAYABLE

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Notes payable</u>			
Operating	\$ <u>75,511</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Accounts payable</u>			
Operating	\$ <u>1,268,662</u>	\$ <u>1,864,954</u>	\$ <u>1,763,450</u>

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

18. OTHER LIABILITIES

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Current</u>			
Other payables			
Payables for purchases of equipment	\$ 1,169,053	\$ 157,927	\$ 201,438
Payables for salaries or bonuses	189,452	235,698	143,167
Payables for annual leave	39,288	30,951	28,280
Payables for insurance premiums	16,824	17,898	16,354
Accrued taxes payable	14,726	6,951	2,952
Payables for purchases of land or buildings	7,666	145,750	141
Payables for interests	7,294	5,031	4,205
Payables for professional service fees	2,252	2,382	2,639
Others	<u>240,714</u>	<u>201,834</u>	<u>221,221</u>
	<u>\$ 1,687,269</u>	<u>\$ 804,422</u>	<u>\$ 620,397</u>
Other liabilities			
Advance receipts	\$ 24,073	\$ 6,644	\$ 6,395
Others	<u>7,612</u>	<u>25,415</u>	<u>16,882</u>
	<u>\$ 31,685</u>	<u>\$ 32,059</u>	<u>\$ 23,277</u>

19. PROVISIONS

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Current</u>			
Customer returns and rebates	\$ <u>-</u>	\$ <u>1,647</u>	\$ <u>-</u>

	Customer Returns and Rebates
Balance at January 1, 2017	\$ 1,647
Usage	(1,583)
Reversing un-usage balances	<u>(64)</u>
Balance at September 30, 2017	<u>\$ -</u>

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 during the period. 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\$10,673 thousand, NT\$10,278 thousand, NT\$33,304 thousand and NT\$30,863 thousand in the consolidated statements of comprehensive income for the three months ended September 30, 2017 and 2016 and for the nine months ended September 30, 2017 and 2016, respectively.

21. EQUITY

a. Share capital

	September 30, 2017	December 31, 2016	September 30, 2016
Numbers of shares authorized (in thousands)	<u>700,000</u>	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 7,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>665,729</u>	<u>515,729</u>	<u>515,729</u>
Shares issued	<u>\$ 6,657,285</u>	<u>\$ 5,157,285</u>	<u>\$ 5,157,285</u>

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 the increase of its capital by the issuance of 150,000 thousand 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 US\$17.31 and a total amount of US\$64.9 million.

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

	September 30, 2017	December 31, 2016	September 30, 2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Share premium	\$ 803,494	\$ 400,487	\$ 400,487
From differences between purchasing price and carrying amount arising from acquisition or disposal of subsidiaries	3,062	3,062	-
May only be used to offset a deficit (2)			
From changes in equities of subsidiaries	<u>50,212</u>	<u>50,212</u>	<u>50,212</u>
	<u>\$ 856,768</u>	<u>\$ 453,761</u>	<u>\$ 450,699</u>

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

d. Special reserves

	For the Nine Months Ended September 30, 2017
Beginning at January 1	\$ -
Appropriations in respect of debts to other equity items	<u>166,124</u>
Balance at September 30	<u>\$ 166,124</u>

e. Others equity items

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

	For the Nine Months Ended September 30	
	2017	2016
Balance at January	\$ (202,996)	\$ 96,357
Exchange differences on translating foreign operations	<u>(51,625)</u>	<u>(242,814)</u>
Balance at September 30	<u>\$ (254,621)</u>	<u>\$ (146,457)</u>

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

	For the Nine Months Ended September 30	
	2017	2016
Balance at January 1	\$ 23	\$ 11,137
Unrealized gain arising on revaluation of available-for-sale financial assets	22	13,640
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	<u>(45)</u>	<u>(24,761)</u>
Balance at September 30	<u>\$ -</u>	<u>\$ 16</u>

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2017	2016
Balance at January 1	\$ 2,287,298	\$ 221,941
Attributable to non-controlling interests:		
Share of loss for the period	(179,352)	(10,091)
Exchange difference arising on translation of foreign entities	(34,765)	(79,121)
Unrealized gains (loss) on available-for-sale financial assets	(5)	(33)
Non-controlling interest arising from acquisition of KK (see Note 26)	5,876	-
Changes in equity of subsidiaries	<u>-</u>	<u>2,178,363</u>
Balance at September 30	<u>\$ 2,079,052</u>	<u>\$ 2,311,059</u>

22. NET PROFIT (LOSS)

a. Other operating income and expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Net loss from disaster (Note 33)	\$ <u>-</u>	\$ <u>4,395</u>	\$ <u>-</u>	\$ <u>(38,764)</u>

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest income	\$ 15,734	\$ 5,233	\$ 33,888	\$ 33,869
Rental income	201	193	610	460
Government grants (Note 25)	-	9,122	5,758	9,122
Other	<u>2,997</u>	<u>18,298</u>	<u>11,320</u>	<u>21,088</u>
	<u>\$ 18,932</u>	<u>\$ 32,846</u>	<u>\$ 51,576</u>	<u>\$ 64,539</u>

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Net foreign exchange gain (loss)	\$ 95,689	\$ (60,968)	\$ (16,516)	\$ (405,802)
Net gain on disposal of available-for-sale financial assets	-	18,694	45	24,761
Net gain arising on financial assets designated as at FVTPL	5,323	26,504	14,985	2,330
Net gain arising on financial assets and liabilities held for trading	8,065	8,065	32,906	91,869
Gain on disposal of property, plant and equipment	36	-	36	-
Others	<u>(82)</u>	<u>(202)</u>	<u>(113)</u>	<u>(2,584)</u>
	<u>\$ 109,031</u>	<u>\$ (7,907)</u>	<u>\$ 31,343</u>	<u>\$ (289,426)</u>

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest on bank loans	\$ (52,461)	\$ (3,165)	\$ (92,793)	\$ (12,629)
Other finance costs	<u>(623)</u>	<u>(253)</u>	<u>(1,714)</u>	<u>(627)</u>
	<u><u>\$ (53,084)</u></u>	<u><u>\$ (3,418)</u></u>	<u><u>\$ (94,507)</u></u>	<u><u>\$ (13,256)</u></u>

Information about capitalized interest was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Capitalized interest	\$ -	\$ -	\$ 21,896	\$ -
Capitalization rate	-	-	3.20%	-

e. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Property, plant and equipment	\$ 268,512	\$ 203,321	\$ 697,154	\$ 637,082
Intangible assets	10,881	4,258	23,874	11,896
Prepayment for leases	<u>1,431</u>	<u>1,528</u>	<u>4,135</u>	<u>4,737</u>
	<u><u>\$ 280,824</u></u>	<u><u>\$ 209,107</u></u>	<u><u>\$ 725,163</u></u>	<u><u>\$ 653,715</u></u>
An analysis of deprecation by function				
Operating costs	\$ 248,887	\$ 188,301	\$ 640,657	\$ 599,171
Operating expenses	<u>19,625</u>	<u>15,020</u>	<u>56,497</u>	<u>37,911</u>
	<u><u>\$ 268,512</u></u>	<u><u>\$ 203,321</u></u>	<u><u>\$ 697,154</u></u>	<u><u>\$ 637,082</u></u>
An analysis of amortization by function				
Operating costs	\$ 2,884	\$ 786	\$ 7,011	\$ 2,030
General and administrative expenses	7,780	3,351	16,053	9,658
Research and development expenses	<u>1,648</u>	<u>1,649</u>	<u>4,945</u>	<u>4,945</u>
	<u><u>\$ 12,312</u></u>	<u><u>\$ 5,786</u></u>	<u><u>\$ 28,009</u></u>	<u><u>\$ 16,633</u></u>

f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Post-employment benefits (Note 20)				
Defined contribution plans	\$ 10,673	\$ 10,278	\$ 33,304	\$ 30,863
Other employee benefits	<u>390,089</u>	<u>360,524</u>	<u>1,235,965</u>	<u>1,043,056</u>
Total employee benefits expense	<u>\$ 400,762</u>	<u>\$ 370,802</u>	<u>\$ 1,269,269</u>	<u>\$ 1,073,919</u>
An analysis of employee benefits expenses by function				
Operating costs	\$ 327,527	\$ 313,325	\$ 1,055,958	\$ 918,731
Operating expenses	<u>73,235</u>	<u>57,477</u>	<u>213,311</u>	<u>155,188</u>
	<u>\$ 400,762</u>	<u>\$ 370,802</u>	<u>\$ 1,269,269</u>	<u>\$ 1,073,919</u>

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 nine months ended September 30, 2017 and 2016; thus, neither employees' compensation nor remuneration of directors 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.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the CMMT's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Foreign exchange gains	\$ 217,457	\$ 73,489	\$ 384,053	\$ 291,431
Foreign exchange losses	<u>(121,768)</u>	<u>(134,457)</u>	<u>(400,569)</u>	<u>(697,233)</u>
	<u>\$ 95,689</u>	<u>\$ (60,968)</u>	<u>\$ (16,516)</u>	<u>\$ (405,802)</u>

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of tax (expenses) benefits recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
<u>Current tax</u>				
In respect of the current period	\$ (1,119)	\$ -	\$ (3,014)	\$ -
Income tax on unappropriated earnings	-	-	-	(64,732)
Adjustments for prior period	-	6	(127)	1,142
<u>Deferred tax</u>				
In respect of the current period	<u>6,937</u>	<u>26,186</u>	<u>128,906</u>	<u>50,240</u>
Income tax (expenses) benefits recognized in profit or loss	<u>\$ 5,818</u>	<u>\$ 26,192</u>	<u>\$ 125,765</u>	<u>\$ (13,350)</u>

As of September 30, 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:

<u>Expansion of Construction Project</u>	<u>Tax-exemption Period</u>
First time income tax exemption for construction project expansion	May 31, 2012 to May 30, 2017

- b. Integrated income tax

	September 30, 2017	December 31, 2016	September 30, 2016
Unappropriated earnings			
Generated on or after January 1, 1998	<u>\$ 2,997,657</u>	<u>\$ 4,182,188</u>	<u>\$ 4,368,125</u>
Shareholder-imputed credits account	<u>\$ 568,343</u>	<u>\$ 568,411</u>	<u>\$ 604,599</u>

Due to a net loss for the year ended December 31, 2016, the Corporation resolved not to distribute earnings, and as a result, there were no distributable earnings for the year 2016 which led to the absence of a creditable ratio for the distribution of earnings for 2016. The creditable ratio for the distribution of earnings for the year ended December 31, 2015 was 10.03%.

- c. Income tax assessments

CMMT, CTI 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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Basic and diluted loss per share	\$ (0.59)	\$ (0.86)	\$ (1.94)	\$ (2.52)

The loss and weighted average number of common shares outstanding in the computation of loss per share were as follows:

Net Loss for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Loss used in the computation of basic and diluted loss per share	\$ (320,861)	\$ (444,955)	\$ (1,018,407)	\$ (1,297,984)

Weighted average number of common shares outstanding (in thousands of shares):

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Weighted average number of common shares in computation of basic and diluted loss per share	<u>546,707</u>	<u>515,729</u>	<u>526,168</u>	<u>515,729</u>

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, a total of NT\$5,857 thousand was recognized as other income as of the nine months ended September 30, 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	<u>\$ 12,878</u>

KK was acquired in order to reduce the cost of purchasing materials.

b. Considerations transferred

KK

Cash	<u>\$ 12,878</u>
------	------------------

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	<u>(684)</u>
	<u>\$ 17,881</u>

d. Goodwill recognized on acquisitions

KK

Consideration transferred	\$ 12,878
Plus: Non-controlling interests (32.86% in KK)	5,876
Less: Fair value of identifiable net assets acquired	<u>(17,881)</u>
Goodwill recognized on acquisitions	<u>\$ 873</u>

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	<u>(18,221)</u>
	<u>\$ (5,343)</u>

f. Impact of acquisitions on the results of the Corporation

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

KK

Revenue	<u>\$ -</u>
Loss	<u>\$ (1,096)</u>

Had these business combinations been in effect at the beginning of the annual reporting period, both the Corporation's revenue from continuing operations would have been NT\$8,315,226 thousand and the loss from continuing operations would have been NT\$1,197,962 thousand for the nine months ended September 30, 2017. 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 nor is it intended to be a projection of future results.

27. 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 (paid)	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred (to) from non-controlling interests	<u>50,212</u>
Differences recognized from equity transactions	<u>\$ 50,212</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - share of changes in equities of subsidiaries	<u>\$ 50,212</u>

CMVT:

	December 28, 2016
Cash consideration received (paid)	\$ 6,000
The proportionate share of the carrying amount of the net assets of the subsidiary transferred (to) from non-controlling interests	<u>(2,938)</u>
Differences recognized from equity transactions	<u>\$ 3,062</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - differences between equity purchasing price and carrying amount arising from actual acquisitions or disposals of subsidiaries	<u>\$ 3,062</u>

28. 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 (loans 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.

29. 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

September 30, 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ _____ -	\$ _____ 4,895	\$ _____ -	\$ _____ 4,895

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

September 30, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	\$ 12,020	\$ -	\$ -	\$ 12,020
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 1,969	\$ -	\$ 1,969
Structured deposits	-	-	771,954	771,954
	\$ -	\$ 1,969	\$ 771,954	\$ 773,923

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

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ -	\$ -	\$ 1,969
Designated as at FVTPL	-	167,266	771,954
Loans and receivables (1)	8,571,795	7,321,458	6,335,704
Available-for-sale financial assets	-	12,028	12,020

Financial liabilities

Fair value through profit or loss (FVTPL)			
Held for trading	4,895	19,822	-
Amortized cost (2)	9,326,299	6,970,469	3,749,605

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 and long-term loans (including current portions), 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 currency 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, foreign exchange forward contracts, to manage its exposure to foreign currency risk and interest rate risk and to hedge the exchange rate risk arising on U.S. dollar-denominated assets generated by sales and Japanese 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

Several subsidiaries and CMMT had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 75% of the Corporation's sales were denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 84% of costs were denominated in the group entity'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 34.

Sensitivity analysis

The Corporation was mainly exposed to the U.S. dollar and Japanese yen (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 exchange 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 Nine Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2017	2016	2017	2016
Profit or loss	\$ 1,139	\$16,137 (i)	\$ (4,608)	\$ (12,050) (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 currency 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 both fixed and floating 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:

	September 30, 2017	December 31, 2016	September 30, 2016
Fair value interest rate risk			
Financial assets	\$ 627,240	\$ 2,797,362	\$ 3,529,137
Financial liabilities	3,506,131	3,320,411	50,000
Cash flow interest rate risk			
Financial assets	4,663,162	1,661,171	831,328
Financial liabilities	3,296,877	1,496,218	2,200,596

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 nine months ended September 30, 2017 and 2016 would decrease/increase by NT\$6,182 thousand and NT\$4,126 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 68%, 84% and 78% in total accounts receivable as of September 30, 2017, December 31, 2016 and September 30, 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 arrangement 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 November 2, 2017, 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 September 30, 2017, December 31, 2016 and September 30, 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 upon repayment periods. The tables were 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 upon repayment dates.

September 30, 2017

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 2,510,852	\$ 515	\$ 9,525
Variable interest rate liabilities	774,799	-	2,522,078
Fixed interest rate liabilities	<u>2,363,211</u>	<u>1,138,025</u>	<u>-</u>
	<u>\$ 5,648,862</u>	<u>\$ 1,138,540</u>	<u>\$ 2,531,603</u>

December 31, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 2,161,889	\$ 3,764	\$ 2,978
Variable interest rate liabilities	151,037	1,345,181	-
Fixed interest rate liabilities	<u>3,298,360</u>	<u>2,229</u>	<u>-</u>
	<u>\$ 5,611,286</u>	<u>\$ 1,351,174</u>	<u>\$ 2,978</u>

September 30, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 1,950,737	\$ 11,090	\$ 3,061
Variable interest rate liabilities	1,678,803	-	470,084
Fixed interest rate liabilities	<u>101,709</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,731,249</u>	<u>\$ 11,090</u>	<u>\$ 473,145</u>

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.

September 30, 2017

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 237,185	\$ -	\$ -	\$ -	\$ -
Outflows	242,080	-	-	-	-

December 31, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 689,678	\$ -	\$ -	\$ -	\$ -
Outflows	709,500	-	-	-	-

September 30, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 64,689	\$ -	\$ -	\$ -	\$ -
Outflows	62,720	-	-	-	-

c) Financing facilities

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured bank loans facility, reviewed annually and payable at call:			
Amount used	\$ 14,621,570	\$ 6,131,674	\$ 3,448,016
Amount unused	<u>19,379,384</u>	<u>18,636,794</u>	<u>21,751,165</u>
	<u>\$ 34,000,954</u>	<u>\$ 24,768,468</u>	<u>\$ 25,199,181</u>

30. 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 that have significant influence over the Corporation
Zhejiang Hengjie Co., Ltd.	Affiliates
K Laser Technology Inc.	Affiliates
Tree Valley Foundation	Affiliates

b. Sales revenue

Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Affiliates	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 211,891</u>	\$ <u> -</u>

Prices and terms were determined in accordance with mutual agreements between the Corporation and other related parties.

c. Receivables

Account Categories	Related Party Categories	September 30, 2017	December 31, 2016	September 30, 2016
Other receivables	Affiliates	\$ <u> 5</u>	\$ <u> 5</u>	\$ <u> 5</u>

The outstanding trade receivables from related parties were unsecured. For the nine months ended September 30, 2017 and 2016, no impairment losses were recognized for accounts receivables from related parties.

d. Other payables

Related Party Categories	September 30, 2017	December 31, 2016	September 30, 2016
Affiliates	\$ 216	\$ 269	\$ 428
Investors that have significant influence over the Corporation	<u> -</u>	<u> -</u>	<u> 185</u>
	\$ <u> 216</u>	\$ <u> 269</u>	\$ <u> 613</u>

e. Operating expenses

Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Affiliates	\$ 206	\$ 5,877	\$ 618	\$ 17,302
Investors that have significant influence over the Corporation	<u>329</u>	<u>1,000</u>	<u>1,028</u>	<u>1,650</u>
	<u>\$ 535</u>	<u>\$ 6,877</u>	<u>\$ 1,646</u>	<u>\$ 18,952</u>

f. Other income

Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Affiliates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254</u>

g. Rental income

Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Affiliates	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ 41</u>	<u>\$ 41</u>

The rental terms of the contracts between the Corporation and other related parties are comparable to market transactions.

h. Compensation of key management personnel

Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Short-term employee benefits	\$ 3,090	\$ 7,311	\$ 14,928	\$ 24,215
Post-employment benefits	<u>59</u>	<u>144</u>	<u>293</u>	<u>473</u>
	<u>\$ 3,149</u>	<u>\$ 7,455</u>	<u>\$ 15,221</u>	<u>\$ 24,688</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the issuance of line of credit:

	September 30, 2017	December 31, 2016	September 30, 2016
Restricted assets - pledged deposits	<u>\$ 188,403</u>	<u>\$ 134,032</u>	<u>\$ 150,082</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

- a. As of September 30, 2017, December 31, 2016 and September 30, 2016, unused letters of credit for purchases of raw materials were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
JPY	\$ 3,757,864	\$ 3,519,324	\$ 3,237,932
RMB	9,610	-	-
EUR	1,860	1,860	-
USD	1,981	584	-

- b. As of September 30, 2017, December 31, 2016 and September 30, 2016, the amounts of guarantees provided by financial institutions for the purpose of importing goods were NT\$58,214 thousand, NT\$51,284 thousand and NT\$27,700 thousand, respectively.
- c. As of September 30, 2017, December 31, 2016 and September 30, 2016, the unpaid amounts of the construction contracts that the Corporation entered into for the expansion of factories and machinery equipment were NT\$1,360,106 thousand, NT\$1,196,174 thousand and NT\$223,731 thousand, respectively.

33. SIGNIFICANT LOSSES FROM DISASTERS

Due to the earthquake on February 6, 2016, the Corporation recognized related earthquake losses of NT\$38,764 thousand (including repair expenses of factories and impairment of inventories), net of insurance claims for the nine months ended September 30, 2016.

34. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

CMMT's board of directors passed a resolution approving a polarizer technology licensing agreement between KSCMMT and Nitto Denko Corporation (Nitto Denko) on November 2, 2017. This license for collaboration with Nitto Denko will accelerate the development of the polarizer market in China. The maximum JPY15 billion technology licensing cooperative agreement with Nitto Denko is signed by KSCMMT, Hangzhou Jinjiang Group (the strategic partner and major shareholder of KSCMMT), and Shenzhen Sheng Bo Optoelectronics Technology Co., Ltd. (an investee of Hangzhou Jinjiang Group). KSCMMT will have the rights of 3 production lines of 2,500mm polarizing film, amounting to JPY7.5 billion.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation 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:

September 30, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 124,437	30.26	\$ 3,765,464
JPY	4,950,161	0.2691	1,332,088
RMB	2,125	4.551	9,671

Financial liabilities

Monetary items			
USD	108,908	30.26	3,295,556
JPY	9,256,074	0.2691	2,490,810
EUR	236	35.75	8,437
RMB	2,132	4.551	9,703
Non-monetary items			
USD	162	30.26	4,895

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
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

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

September 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 128,602	31.36	\$ 4,032,959
JPY	468,620	0.3109	145,694
RMB	34,266	4.693	160,810
Non-monetary items			
USD	63	31.36	1,969

Financial liabilities

Monetary items			
USD	25,689	31.36	805,607
JPY	8,428,694	0.3109	2,620,481
EUR	235	35.08	8,244
RMB	2,181	4.693	10,235

For the three months ended September 30, 2016 and for the nine months ended September 30, 2017 and 2016, realized and unrealized net foreign exchange losses were NT\$(60,968) thousand, NT\$(16,516) thousand and NT\$(405,802) thousand, respectively. For the three months ended September 30, 2017, realized and unrealized net foreign exchange gains were NT\$95,689 thousand. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

36. 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 29
 - 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.

37. 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 Revenue	
	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2017	2016	2017	2016
Taiwan operating entities	\$ 901,449	\$ 1,243,923	\$ 2,917,634	\$ 4,255,477
China operating entities	<u>1,908,795</u>	<u>1,456,178</u>	<u>5,397,592</u>	<u>3,422,747</u>
Total from continuing operations	<u>\$ 2,810,244</u>	<u>\$ 2,700,101</u>	<u>\$ 8,315,226</u>	<u>\$ 7,678,224</u>

	Segment Profit or Loss		Segment Profit or Loss	
	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2017	2016	2017	2016
Taiwan operating entities	\$ (234,499)	\$ (255,408)	\$ (579,569)	\$ (739,033)
China operating entities	(263,448)	(247,984)	(730,384)	(317,549)
Others	<u>(887)</u>	<u>-</u>	<u>(1,983)</u>	<u>-</u>
Total from continuing operations	(498,834)	(503,392)	(1,311,936)	(1,056,582)
Net foreign exchange gain (loss)	95,689	(60,968)	(16,516)	(405,802)
Interest income	15,734	5,233	33,888	33,869
Gain on disposal of property, plant and equipment	36	-	36	-
Gain on disposal of available-for-sale financial instruments	-	18,694	45	24,761
Net gain arising on financial assets designated as at FVTPL	5,323	26,504	14,985	2,330
Net gain arising on financial assets and liabilities held for trading	8,065	8,065	32,906	91,869
Finance costs	(53,084)	(3,418)	(94,507)	(13,256)
Others	<u>3,116</u>	<u>27,411</u>	<u>17,575</u>	<u>28,086</u>
Loss before income tax (continuing operations)	<u>\$ (423,955)</u>	<u>\$ (481,871)</u>	<u>\$(1,323,524)</u>	<u>\$(1,294,725)</u>

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 available-for-sale financial instruments, 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.

TABLE 1

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 455,100 RMB 100,000	\$ - RMB -	4.35%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,597,088	\$ 2,395,632

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 for borrowers should not exceed 60% of the financing KSCMMT’s net asset value.

TABLE 2

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 (Note 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	\$ 5,772,593	\$ 1,838,598 USD 60,760	\$ 1,838,598 USD 60,760	\$ 1,238,088 USD 40,915	\$ -	15.93	\$ 11,545,186	YES	NO	YES
1	KSCMMT	KSCMS	Subsidiary	2,395,632	2,412,030 RMB 530,000	2,412,030 RMB 530,000	363,734 RMB 79,924	-	60.41	3,992,720	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 Guarantee 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 NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars, 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
KSCMMT	<u>Structured deposits</u> Industrial and Commercial Bank of China	Financial instruments at FVTPL - current	-	-	-	\$ -	-	RMB 85,000	-	RMB 85,503	RMB 85,000	RMB 503	-	RMB -

TABLE 4

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 NINE MONTHS ENDED SEPTEMBER 30, 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	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
CMMT	NBCMMT	100% indirectly held subsidiary of the Corporation	Sale	\$ 3,170,890	38	Open account 120 days	\$ -	-	\$ 1,694,749	51	-
CMMT	KSCMMT	100% indirectly held subsidiary of the Corporation	Sale	118,109	1	Open account 90 days	-	-	-	-	-
KSCMS	ZH	Subsidiary of investor with significant influence over the Corporation	Sale	211,891	3	Open account 90 days	-	-	-	-	-
NBCMMT	KSCMMT	Fellow subsidiary	Sale	267,840	3	Open account 90 days	-	-	130,148	4	-

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
SEPTEMBER 30, 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	\$ 1,694,749	1.74	\$ -	-	\$ 271,577	\$ -
NBCMMT	KSCMMT	Fellow subsidiary	130,148	5.48	-	-	44,864	-

TABLE 6

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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)	% to Total Sales or Assets
1	CMMT	NBCMMT	1	Sales	\$ 3,170,890	-	38%
			1	Accounts receivable	1,694,749	-	7%
			1	Other receivables	1,200	-	-
			1	Accounts payable	109,296	-	-
			1	Other payables	9,696	-	-
		CMVT	1	Sales	4,833	-	-
			1	Accounts receivable	6,347	-	-
			1	Accounts payable	675	-	-
			1	Provisions	1,125	-	-
			1	Rental income	2,179	-	-
		KSCMMT	1	Sales	118,109	-	1%
			1	Other receivables	301,895	-	1%
		KSCMS	1	Sales	38,317	-	-
			1	Accounts receivable	2,847	-	-
			1	Other receivable	895	-	-
2	NBCMMT	CMVT	2	Sales	13,757	-	-
			2	Accounts receivable	7,136	-	-
		KSCMMT	2	Sales	267,840	-	3%
			2	Accounts receivable	130,148	-	1%
		KSCMS	2	Sales	5,237	-	-
2	KSCMMT	KSCMS	2	Accounts payable	1,975	-	-
			1	Other receivables	73	-	-
			1	Interest revenue	5,358	-	-

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.

TABLE 7

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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, 2016			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	%	Carrying Amount			
CMMT	CMMTS	Samoa Islands	Investment company	\$ 431,482	\$ 431,482	13,300	100	\$ 765,026	\$ (230,756)	\$ (230,756)	Note 1
	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	205,000	205,000	20,500	68.33	103,921	(17,522)	(11,973)	Note 1
	CMMTI	Samoa Islands	Investment company	2,230,328	2,230,328	73,500	100	1,827,108	(168,549)	(168,549)	Note 1
	CTI	Tainan City, Taiwan	Investment company	50,000	50,000	5,000	100	27,595	(2,290)	(2,290)	Note 1
	CTT	Tainan City, Taiwan	Trade	1,000	-	100	100	975	(25)	(25)	Note 1
	KK	Tokyo, Japan	Trade	12,878	-	4.7	67.14	11,346	(2,186)	(1,331)	Note 1
CTI	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	39,000	39,000	3,900	13	16,671	(17,522)	(2,278)	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.

TABLE 8

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 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, 2016 (Foreign Currencies in Thousands) (Note 2)	Accumulated Repatriation of Investment Income as of September 30, 2017	Note
					Outflow	Inflow							
NBCMMT	Electronic component manufacture and sale	RMB 131,946	Note 1	\$ 431,482 USD 13,300	\$ -	\$ -	\$ 431,482 USD 13,300	\$ (230,723) RMB (51,430)	100	\$ (247,257) RMB (55,116)	\$ 785,386 RMB 172,574	\$ -	
KSCMMT	Electronic component manufacture and sale	RMB 948,460	Note 1	2,230,328 USD 73,500	-	-	2,230,328 USD 73,500	(343,978) RMB (76,683)	49	(168,549) RMB (37,575)	1,956,432 RMB 429,891	-	
KSCMS	Trade	RMB 50,000	Note 1	-	-	-	-	11,994 RMB 2,670	49	5,877 RMB 1,308	117,927 RMB 25,912	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$2,661,810 (USD 86,800 thousand)	\$2,661,810 (USD 86,800 thousand)	\$ 6,927,112

Note 1: The method of investment is reinvesting 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 9

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 NINE MONTHS ENDED SEPTEMBER 30, 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 Term	Comparison with Normal Transaction	Ending Balance	%		
NBCMMT	Sale	\$ 3,170,890	49.76	Note	Note	Note	\$ 1,694,749	59.59	\$ 20,362	Note

Note: Prices and terms were determined in accordance with mutual agreements and were comparable to market transactions.