OFFERING CIRCULAR

CHI MEI MATERIALS TECHNOLOGY CORPORATION

(*incorporated as a company limited by shares in the Republic of China*)

Up to 3,750,000 Global Depositary Shares Representing

Up to 150,000,000 Shares

Offering Price: US$17.31 per GDS

This offering circular (the "**Offering Circular**") relates to an offering of up to 3,750,000 global depositary shares (the "**GDSs**") by CHI MEI MATERIALS TECHNOLOGY CORPORATION (the "**Company**"), representing up to 150,000,000 shares of our common stock, par value NT$10 per share (the "**Shares**"). Each GDS represents an interest in 40 Shares.

The Shares are listed under the trading code "4960" on the Taiwan Stock Exchange (the "**TWSE**") in the Republic of China (the "**ROC**"). The closing price per Share on the TWSE on 7 September 2017 was NT$14.20 per Share (equivalent to US$0.47 at the exchange rate of US$1.00 equaling NT$30.04 on the same date). The offering price for the GDSs represents a 8.45% discount from such closing price of the Shares.

Neither the GDSs nor the underlying Shares have been or will be registered under the *U.S. Securities Act of 1933*, as amended (the "**U.S. Securities Act**"), or any state securities law. The GDSs are offered and sold outside of the United States in accordance with Regulation S under the *U.S. Securities Act*. Prior to this offering, there has been no market for the GDSs.

The GDSs and the underlying Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the *U.S. Securities Act* and the applicable securities laws of any state or jurisdiction pursuant to registration thereunder or exemption from registration. For details, see "Transfer Restrictions" and "Plan of Distribution."

Approval in-principle has been received for the listing and quotation of the GDSs on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Notwithstanding their listing on the SGX-ST, the GDSs will be traded over-the-counter. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Offering Circular. Admission of the GDSs to the Official List of the SGX-ST (the "**Official List**") and the quotation of the GDSs on the SGX-ST are not to be taken as an indication of the merits of the Company, our subsidiaries, the GDSs or the underlying Shares.

Investment in the GDSs involves risks. See "Risk Factors" beginning on page 13.

It is expected that the delivery of the GDSs will be made in book-entry form through the facilities of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**"), against payment therefor on 12 September 2017.

Sole Global Coordinator, Sole Lead Manager and Sole Bookrunner

Fubon Securities

Offering Circular dated 7 September 2017

You should rely on the information contained in this Offering Circular or to which we have referred you. We have not authorized anyone to provide you with information that is different. This Offering Circular may only be used where it is legal to sell these securities. The information in this Offering Circular may only be accurate on the date of this Offering Circular.

You are authorized to use this Offering Circular solely for the purpose of considering the subscription or purchase of the GDSs and the underlying Shares described in this Offering Circular. In making your investment decision, you should rely only on the information contained in this Offering Circular. Neither we nor the Sole Lead Manager has authorized anyone to provide you with any other information. If you receive any other information, including forward-looking statements regarding our operating results that we have released to the investment community from time to time in the past, you should not rely on it. We are offering to sell the GDSs and the underlying Shares only in places where offers and sales of these securities are permitted.

No person is authorized in connection with the issuance, offering or sale of the GDSs to give any information or to make any representation not contained in this Offering Circular, and any information or representation not contained herein must not be relied upon as having been authorized by us or the Sole Lead Manager. Neither the delivery of this Offering Circular nor any sale or allotment made in connection with the issuance of the GDSs shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The distribution of this Offering Circular and this offering of the GDSs and the underlying Shares in certain jurisdictions may be restricted by law. This Offering Circular may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. We and the Sole Lead Manager require persons into whose possession this document may come to inform themselves about, and to observe, such restrictions. No action is being taken in any jurisdiction to permit an offering to the general public of the GDSs or the underlying Shares, or the distribution of this Offering Circular in any jurisdiction where an action would be required for such purposes. Persons to whom a copy of this Offering Circular has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offering Circular or any information herein for any purpose whatsoever nor permit or cause the same to occur.

The GDSs and the underlying Shares have not been recommended by any U.S. federal or state or other securities commission or regulatory authority. Furthermore, the foregoing authorities have not reviewed or passed on the accuracy or adequacy of this Offering Circular. Any representation to the contrary may be a criminal offense in the United States.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering of the GDSs and the underlying Shares, including the merits and risks involved. We are not making any representation to any purchaser of the GDSs and the underlying Shares regarding the legality of an investment in the GDSs and the underlying Shares by such purchaser under the applicable laws or regulations. Neither this Offering Circular nor any information supplied in connection with the issuance of the GDSs and the underlying Shares should be considered as a recommendation or constituting an invitation or offer by us that any recipient of this Offering Circular should purchase any GDSs or the underlying Shares. The content of this Offering Circular should not be construed as providing legal, business, accounting or tax advice.

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CERTAIN DEFINITIONS, CONVENTIONS AND GENERAL INFORMATION

In this Offering Circular, all references to "**CHI MEI**," "**Issuer**" and "**Company**" refer to CHI MEI MATERIALS TECHNOLOGY CORPORATION. All references to "**we**," "**us**," and "**our**" refer to the Company itself or the Company and our subsidiaries as a group, as the context may require. All references to "**Shares**" refer to shares of our common stock, par value NT$10 per Share. All references to "**Taiwan**," the "**ROC**" and the "**Republic of China**" are to the island of Taiwan and other areas under the effective control of the Republic of China. All references herein to the "**ROC government**" and the "***ROC Company Act***" are references to the government of the Republic of China and the *Company Act of the Republic of China*, respectively. All references to "**TWSE**" are to the Taiwan Stock Exchange Corporation, and "**TPEx**" are to the Taipei Exchange (formerly the "Gre Tai Securities Market" or the "Over-the-Counter Securities Exchange in the ROC"). All references to "**China**," the "**PRC**" and the "**People's Republic of China**" are to mainland China and do not include Hong Kong, Macau or Taiwan. A "**PRC Person**" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including any special administrative region of the PRC such as Hong Kong or Macau), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled or beneficially owned by any such person, resident, agency or instrumentality.

We prepared our audited consolidated financial statements as of and for the years ended 31 December 2014, 2015 and 2016 in conformity with the International Financial Reporting Standards, the International Accounting Standards (the "**IAS**"), the IFRIC Interpretations and the SIC Interpretations (the "**SIC**") endorsed by the ROC Financial Supervisory Commission (the "**ROC FSC**") (collectively referred to as the "**Taiwan IFRS**"), which, however, differ from the Generally Accepted Accounting Principles in the United States (the "**U.S. GAAP**"), the International Financial Reporting Standards issued by the International Accounting Standard Board (the "**IFRS**") or the generally accepted accounting principles of certain other countries. Our financial statements as of and for the years ended 31 December 2014, 2015 and 2016 have been audited by Deloitte & Touche ("**Deloitte**"), independent auditors, as indicated in their reports included elsewhere in this Offering Circular. We also prepared our unaudited consolidated financial statements as of and for the six months ended 30 June 2017 in accordance with the IAS 34 Interim Financial Reporting endorsed by the ROC FSC. Our financial statements as of and for the six months ended 30 June 2016 and 2017 have been reviewed by Deloitte, as indicated in their reports included elsewhere in this Offering Circular.

All references herein to "**US Dollars**" and "**US$**" are to United States Dollars, the lawful currency of the United States. All references to "**NT Dollars**" and "**NT$**" are to New Taiwan Dollars, the lawful currency of the ROC. All references herein to "**€**" are to the Euro. All references herein to "**Japanese Yen**" are to Japanese yen, the lawful currency of Japan. All translations from NT Dollar amounts to US Dollar amounts were made (unless otherwise indicated) on the basis of the noon buying rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board for 30 June 2017 of NT$30.38 = US$1.00. See "Exchange Rates." All amounts converted into US Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the NT Dollar or the US Dollar amounts referred to herein could have been or could be converted into US Dollars or NT Dollars, as the case may be, at any particular rate, the above rates or at all. Any discrepancies in any table, graph or chart included in this Offering Circular between the totals and the sums of the amounts listed are due to rounding.

For a description of documents available to the holders of GDSs, see “General Information.”

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Offering Circular regarding, among other things, our financial condition, future expansion plans and business strategies. You can identify some of these forward-looking statements by terms such as “expect,” “believe,” “plan,” “intend,” “estimate,” “anticipate,” “may,” “will,” “would” and “could” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- our business and operating strategies, plans, objectives and goals, as well as our ability to implement such strategies, plans, objectives and goals;
- the nature of and the potential for future development of our business and our ability to further develop and manage our business as planned;
- changes in economic or regulatory conditions, operating conditions or competitive environment in the regions in which we operate;
- changes in the laws, rules, regulations (including the risk of deregulation and of new and untested regulations) and policies of the relevant government authorities relating to all aspects of our business and our business plans;
- our ability to control our risks;
- future developments, trends, conditions and the competitive environment in the industry and markets in which we operate or into which we intend to expand;
- our expansion plan;
- financial market developments;
- our financial condition and performance;
- our future debt levels and capital needs;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- our business prospects;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC, the ROC and the industry and markets in which we operate; and
- other statements in this Offering Circular that are not historical facts.

We are under no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions discussed in “Risk Factors” and elsewhere in this Offering Circular, the forward-looking events discussed in this Offering Circular might not occur, and our actual results could differ materially from those anticipated in the forward-looking statements.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN THE ROC

We are a company limited by shares and incorporated under the *ROC Company Act*. All of our directors, executive officers and certain of the experts named in this Offering Circular are residents of the ROC, and a significant portion of our assets and these persons are located in the ROC. As a result, it may not be possible for you to effect service of process upon us or any of these persons outside of the ROC, or to enforce against us or any such persons any of the judgments obtained in courts outside of the ROC. Our ROC counsel has advised that any final judgment obtained against us or such persons in courts outside of the ROC in respect of any lawsuit or proceeding arising out of or relating to the global depositary receipts (the "**GDRs**"), the GDSs or the underlying Shares will be enforced by a ROC court without further review of the merits only if the ROC court in which enforcement is sought is satisfied with the following:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedure resulting in the judgment are not contrary to the public order or good morals of the ROC;
- if the judgment was rendered by default by the court rendering the judgment, (a) we or such persons were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction; or (b) process was served on us or such persons with judicial assistance of the ROC; and
- the judgment of the ROC court would be recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) (the "**CBC**"), for the remittance out of the ROC of any amounts exceeding US$100,000 (or its equivalent in foreign currencies) recovered in respect of the judgment denominated in a currency other than NT Dollars. See "Appendix B – Foreign Investment and Exchange Controls in the ROC."

SUMMARY

This summary highlights information contained elsewhere in this Offering Circular and provides a brief summary of the recent trends and developments in the polarizer industry. This summary may not contain all of the information that you should consider before deciding to invest in the GDSs. We urge you to read this entire Offering Circular carefully, including the "Risk Factors" section, as well as our financial statements and related notes thereto located elsewhere in this Offering Circular.

BUSINESS OVERVIEW

We are one of the leading polarizer manufacturers in the world. We manufacture polarizers of various sizes ranging from seven to 65 inches and supply primarily to LCD (liquid crystal display) manufacturers in Taiwan and internationally. Our polarizers can be applied in a wide spectrum of electronic devices, including PC monitors, TVs, laptops, PDAs (personal digital assistant), mobile phones, digital cameras, digital photo frames and GPS (global positioning system).

We have extensive experience in the design and development of manufacturing processes and mass production of polarizers. In an effort to improve our production efficiency, we have been actively participating in the front-end of manufacturing processes, such as the design and development of manufacturing equipment. Our research and development efforts are evidenced by the development of our cutting-edge products, such as IPS (in-plane switching) polarizers, EWV (extremely wide view) polarizers and UV-curing type OCA (optically clear adhesive).

We possess the requisite expertise and experience in upstream and downstream businesses, enabling us to work closely with our suppliers and customers with respect to product design and development. In doing so, we are able to offer polarizers of various specifications that are closely tailored to customer needs. Furthermore, we possess extensive experience with respect to putting prototype and design into mass production quickly.

We first set out footprint in China in 2006 when we commenced the construction of our Ningbo plant in Zhejiang province. Our continued commitment to the Chinese market is evidenced by our second production plant, the Kunshan plant, in Jiangsu province. With a view to expand our footprint in China, we commenced construction of our Kunshan plant in 2014 and expect mass production in the third quarter of 2017, which we believe will effectively increase our overall production capacity. We believe that our production plants in China optimally enable us to supply our wide range of polarizers to existing and potential customers in China.

We are led by a dedicated and capable senior management team possessing extensive experience in the polarizer industry. Mr. Jau-Yang Ho, our chairman and general manager, has approximately more than 20 years of experience in managing the production of polarizers and related businesses. Mr. Wang-Yang Li serves as our director of research and development. We believe that the industry expertise, field operating experience and entrepreneurial spirit of our senior management team have provided us with significant competitive advantages in the market.

Our net sales decreased from NT$15.8 billion for the year ended 31 December 2014 to NT$12.7 billion for the year ended 31 December 2015 and further to NT$10.4 billion for the year ended 31 December 2016 due to the decreases in both our polarizer sales volume and our unit price as a result of the decreasing demand for polarizers in the market. Our net sales increased from

NT$4,978.1 million for the six months ended 30 June 2016 to NT$5,505.0 million for the six months ended 30 June 2017. Our net profit decreased from NT$2,239.6 million for the year ended 31 December 2014 to NT$1,047.2 million for the year ended 31 December 2015. We recorded net loss of NT$1,483.9 million for the year ended 31 December 2016. We also recorded net loss of NT$852.4 million and NT$779.6 million for the six months ended 30 June 2016 and 2017, respectively.

RECENT INDUSTRY TRENDS AND DEVELOPMENTS

Since the global economy recovery, the demand for downstream consumer electronics has increased. With major manufacturers introducing large-sized smartphones, TVs and HD (high-definition) products, the demand for panels has increased as well. This has in turn boosted the demand for polarizers and other upstream components. For instance, according to IHS DisplayResearch, one of the world's leading sources for research and analysis in the technology industries, the global polarizer market is forecasted to grow at a CAGR (compound annual growth rate) of 7.5% from 397 million square meters in 2014 to over 500 million square meters in 2018. This is largely due to the diversification of downstream panel products and the scaling up of smart electronic devices.

According to IHS DisplayResearch, the three largest polarizer manufacturers, LG Corporation, Nitto Denko Corporation and Sumitomo Chemical Co., Ltd., collectively accounted for more than 60% of the global market share in 2016, while BenQ Materials Corporation and we came in fourth and fifth, respectively.

While global demand for polarizers grows steadily, China contributed to the greatest growth. In 2014, China's demand for polarizers has reached 59 million square meters, which is expected to reach 165 million square meters by 2018. This is due in large part to the increasing demand for panels. For instance, the trend of smart vehicles and IoT (internet of things) in the urban areas is believed to foster the increasing demand for panels, which is expected to boost the demand for polarizers and other upstream components in China as well. In addition, since 2014, the PRC government has lifted tariffs on imported polarizers from 6% to 8% in order to protect domestic market players in China. It is expected that demand for panels in China would remain strong in the near future. With the continuing growth in the panel industry in China, demand for polarizers in China is expected to continue as well.

OUR COMPETITIVE STRENGTHS

We believe that the following principal strengths have contributed to our historical success and distinguished us from our competitors:

- Our strong research and development capabilities enable us to achieve robust manufacturing excellence and product quality;
- We integrate and manufacture quality polarizers of various specifications that are closely tailored to meet customer needs;
- We are able to leverage our production plants in China to capture new business opportunities; and
- Our dedicated and experienced senior management team enables the successful development of our business.

OUR BUSINESS STRATEGIES

In order to further develop and expand our business, we aim to:

- Continue to invest in research and development efforts;
- Expand our sales and marketing network in China;
- Further increase our production capacity and production efficiency; and
- Expand through potential strategic transaction opportunities.

CORPORATE INFORMATION

We were incorporated on 17 May 2005. We have been listed on the TWSE since 24 October 2011 with the stock code "4960."

Our registered office is located at No. 13, Mujhangang West Road, Shanhua Town, Tainan City 74148, Taiwan, and our telephone number at the above address is (886)-6-588-9988. Our website is http://www.cmmt.com.tw. Taishin International Bank Co. Ltd. ("**Taishin International Bank**") acts as our share registrar and maintains our Shareholders' register at its offices in Taipei, Taiwan. Our uniform registry number is 27790294.

SUMMARY OF FINANCIAL DATA

The following table sets forth our summary of financial data. The summary consolidated financial data as of and for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 set forth below are qualified by reference to, and should be read in conjunction with, our consolidated financial statements included elsewhere in this Offering Circular. The audited financial statements for the years ended 31 December 2014, 2015 and 2016 have been prepared and presented on a consolidated basis and in accordance with the Taiwan IFRS, which, however, differs in certain material respects from the U.S. GAAP and the IFRS, including with respect to rules regarding the presentation of consolidated financial statements. See "Summary of Certain Significant Differences Between the Taiwan IFRS and the IFRS." The unaudited financial statements for the six months ended 30 June 2016 and 2017 have been prepared and presented on a consolidated basis and in accordance with the IAS 34 Interim Financial Reporting endorsed by the ROC FSC.

	Year ended 31 December				Six months ended 30 June		
	2014	**2015**	**2016**		**2016**	**2017**	
	NT$'000	*NT$'000*	*NT$'000*	*US$'000*	*NT$'000*	*NT$'000*	*US$'000*
		(audited)				*(unaudited)*	
Consolidated Statement of Comprehensive Income:							
Net sales	15,818,286	12,747,295	10,374,172	341,480	4,978,123	5,504,982	181,204
Cost of sales	(12,919,962)	(10,958,288)	(11,170,927)	(367,707)	(5,143,224)	(5,891,602)	(193,930)
Gross profit (loss)	2,898,324	1,789,007	(796,755)	(26,227)	(165,101)	(386,620)	(12,726)
Total operating expenses	(718,669)	(706,397)	(775,613)	(25,530)	(344,930)	(426,482)	(14,039)
Other operating income and expenses	–	–	(33,870)	(1,115)	(43,159)	–	–
Profit (Loss) from operations	2,179,655	1,082,610	(1,606,238)	(52,872)	(553,190)	(813,102)	(26,765)
Total non-operating income and expenses	493,198	283,976	62,767	2,067	(259,664)	(86,467)	(2,846)

Profit (Loss) before income tax	2,672,853	1,366,586	(1,543,471)	(50,805)	(812,854)	(899,569)	(29,611)
Income tax benefits (expense)	(433,220)	(319,427)	59,609	1,962	(39,542)	119,947	3,948
Net profit (loss) for the year/period	2,239,633	1,047,159	(1,483,862)	(48,843)	(852,396)	(779,622)	(25,663)
Per Share Data[(1)]:							
Basic earnings (loss) per Share	4.36	2.03	(2.88)	(0.09)	(1.65)	(1.35)	(0.04)
Diluted earnings (loss) per Share	4.34	2.02	(2.88)	(0.09)	(1.65)	(1.35)	(0.04)
Other Financial Data:							
Gross profit (loss) margin ...	18.3%	14.0%	(7.7)%	(7.7)%	(3.3)%	(7.0)%	(7.0)%
Operating margin	13.8%	8.5%	(15.5)%	(15.5)%	(11.1)%	(14.8)%	(14.8)%
Net profit (loss) margin	14.2%	8.2%	(14.3)%	(14.3)%	(17.1)%	(14.2)%	(14.2)%

Note:

(1) For the year ended 31 December 2014 and 2015, basic earnings (loss) per Share are calculated by dividing net income (loss) by the weighted average number of Shares outstanding during each period after adjusting retroactively for the effect of stock dividends and employees' bonuses. For the year ended 31 December 2016 and six months ended 30 June 2016 and 2017, basic loss per Share is calculated without such adjustment as the related Shares are anti-dilutive and are therefore not included in the calculation of diluted loss per Share.

	As of 31 December				**As of 30 June**		
	2014	**2015**	**2016**		**2016**	**2017**	
	NT$'000	*NT$'000*	*NT$'000*	*US$'000*	*NT$'000*	*NT$'000*	*US$'000*
		(audited)				*(unaudited)*	
Consolidated Balance Sheet Data:							
Current assets	10,931,978	9,896,678	10,476,597	344,852	9,801,525	9,599,327	315,975
Non-current assets	7,034,643	7,807,815	10,126,195	333,318	8,067,253	11,843,677	389,852
Current liabilities	4,758,135	4,629,600	7,520,416	247,545	3,829,927	9,373,654	308,547
Non-current liabilities.	67,515	141,740	82,844	2,727	117,686	169	6
Net current assets	6,173,843	5,267,078	2,956,181	97,307	5,971,598	225,673	7,428

RECENT DEVELOPMENTS

Pursuant to the relevant rules and regulations of the TWSE, we report our consolidated net sales each month on the Market Observation Post System. Our net sales for the seven months ended 31 July 2017 amounted to NT$6,572.1 million. In addition, we commenced trail production in one of the production lines at our Kunshan plant in March 2017 and expect mass production in the third quarter of 2017.

THE OFFERING

Issuer…………..…………………………	CHI MEI MATERIALS TECHNOLOGY CORPORATION, a corporation with liability limited by shares incorporated in the Republic of China
Sole Global Coordinator, Sole Lead Manager and Sole Bookrunner….......	Fubon Securities Co., Ltd. Offshore Securities Unit
Offering…………………………………	We are offering up to 3,750,000 GDSs representing up to 150,000,000 Shares outside the United States in reliance on Regulation S under the U.S. Securities Act.
Offer Price………………….	US$17.31 per GDS
GDSs……………………………………	Each GDS represents 40 Shares. The GDSs will be issued pursuant to a deposit agreement (the "Deposit Agreement") by and among the Company, The Bank of New York Mellon, as depositary (the "Depositary"), and the direct and indirect holders and beneficial owners from time to time of the GDSs. See "Description of the Global Depositary Shares."
Shares……………………………………	Shares of the Company at par value NT$10 per Share
Shares Outstanding After the Offering.....	Immediately prior to this offering, there were 515,728,500 Shares and no GDSs issued and outstanding. Upon completion of this offering, a total of up to 665,728,500 Shares will be issued and outstanding, of which up to 150,000,000 Shares will be represented by up to 3,750,000 GDSs. The Shares represented by GDSs offered in this offering will represent approximately 22.5% of our total issued and outstanding Shares after the completion of this offering.
Listing …...	Approval in-principle has been received for the listing and quotation of the GDSs on the SGX-ST. Notwithstanding their listing on the SGX-ST, the GDSs will be traded over-the-counter.
Closing Date…………………………….	12 September 2017
Trading Code on the TWSE…………….	4960
Settlement…………..….........................	The GDSs initially will be evidenced by a global depositary receipt (the "Master GDR"), which will be deposited on the Closing Date with a common depositary for Euroclear and Clearstream and registered in the name of a nominee for that common depositary.

On the Closing Date, we will deliver to the Custodian a certificate of payment (the "Certificate of Payment") evidencing the irrevocable right to receive the underlying Shares until the underlying Shares initially evidenced by individual scripless certificates of payment in the form of a master certificate of payment (the "Master Certificate of Payment") are listed on the TWSE. The individual scripless certificates of payment, which initially evidence the underlying Shares without physical form and are issued only in book-entry form through the Taiwan Depository & Clearing Corporation (the "TDCC"), carry the same rights as those attaching to the Shares in respect of dividends and are eligible for trading on the TWSE in the same manner as the Shares. No later than the second ROC business day (as defined herein) following the Closing Date, we will apply to the TWSE for listing of the Master Certificate of Payment. It is expected that the TWSE will approve the listing of the Master Certificate of Payment on the fourth ROC business day following the Closing Date, though there can be no assurance that the approval will be obtained by such date, or at all.

Immediately upon such listing and the credit of the number of Shares represented by the Master Certificate of Payment into the Custodian's account through the book-entry system maintained by the TDCC, the Certificate of Payment we delivered to the Custodian on the Closing Date will be replaced by the Master Certificate of Payment.

Depositary………………………………… The Bank of New York Mellon

Delivery of GDSs……………………..... The GDSs sold in this offering are expected to be delivered against payment therefor on or about the Closing Date.

Use of Proceeds……............................... We estimate that the proceeds from the offering of the GDSs will be approximately US$63.50 million (net of underwriting discounts and commissions and related expenses), which we intend to use for the procurement of raw materials overseas in foreign currencies.

Lock-up…………………………………… We have agreed that, subject to certain exceptions set forth in "Plan of Distribution," without the prior written consent of the Sole Lead Manager, we will not sell or otherwise dispose of any GDSs or Shares or options to acquire GDSs or Shares for a period commencing on the date of this Offering Circular and ending 90 days

	following the date of the closing of this offering.
Deposit and Withdrawal of Shares….......	Pursuant to the Deposit Agreement, holders of our Shares (the "Shareholders") may deposit Shares with the Depositary's Custodian (as defined herein) and obtain GDSs, and the holders of GDSs may surrender GDSs to the Depositary and receive Shares, subject, in each case, to the satisfaction of certain conditions set forth in the Deposit Agreement. Under the current ROC laws and regulations, no deposits of Shares may be made in the depositary receipt facility, and no GDSs may be issued against such deposits after the closing of this offering, without specific approval of the ROC FSC, except for the issuance of additional GDSs in connection with (i) dividends on, or free distributions of, Shares, (ii) the exercise by holders of existing GDSs of their preemptive rights in the event of capital increases for cash, or (iii) only if and to the extent previously issued GDSs have been canceled and as permitted under the Deposit Agreement, the deposit of Shares owned or purchased directly by a person or through the Depositary on the TWSE for the deposit in the depositary receipt facility such that the total number of GDSs outstanding after an issuance described in this clause (iii) does not exceed the number of GDSs issued and previously approved by the ROC FSC in connection with this offering plus any GDSs created under clauses (i) and (ii) described above, and subject to any adjustment to the number of Shares represented by each GDS.
Dividends………………………………..…	The holders of GDSs will be entitled to dividend distributions on the underlying Shares, after deduction of fees and expenses, taxes and government charges pursuant to the Deposit Agreement. Cash dividends will be paid to the Depositary in NT Dollars and then converted by the Depositary into US Dollars.
Transfer Restrictions……………………	The GDSs and the underlying Shares represented by them will be subject to certain restrictions on transfer. For more information, see "Transfer Restrictions."

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this Offering Circular before making an investment decision. Our business, prospect, financial condition and results of operations could be materially and adversely affected by any of the risks set forth herein, as well as other risk factors not currently known to us. The trading price of the GDSs and the underlying Shares could decline, and you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is exposed to the risk of exchange rate and interest rate fluctuations.

Historically, product sales made by us have been primarily denominated in US Dollars. Raw material purchases made by us have been primarily denominated in Japanese Yen. Accordingly, we are exposed to exchange rate fluctuations, primarily between the US Dollar and the NT Dollar as well as between Japanese Yen and NT Dollar. We cannot guarantee that we will be able to mitigate the effects of exchange rate fluctuations by hedging effectively or matching earning and spending amounts. Failure to do so may have a material and adverse impact on our financial condition and results of operations. Additionally, any devaluation in the value of currencies of foreign countries in which we have investments, particularly in the PRC, may have a material and adverse impact on the value of our investments. Furthermore, our financing may include indebtedness based on variable interest rates. As a result, this may subject us to risks associated with fluctuations in our borrowing costs, which may affect our interest expenses, interest income and the value of our financial assets and liabilities.

We may not be able to anticipate or keep up with rapid technological advances in the polarizer industry.

The polarizer industry is characterized by rapidly changing technology, evolving industry standards and continuous improvements in products. Our competitiveness depends on our ability to anticipate or keep up with rapid technological advances and to develop products that adapt to such changes. We cannot assure you that our research and development efforts will be sufficient for these purposes. In addition, we may encounter difficulties in integrating or commercializing our research and development results. Moreover, we face competition from future market entrants who may be able to offer new products that are attractive to our customers. If we are unable to maintain a competitive position by anticipating and keeping up with technological advances effectively, demand for our products may decline, which may adversely affect our financial condition and profitability.

We may be materially and adversely affected by changes in the prices and availability of our raw materials.

We are subject to fluctuations in market prices and the availability of our raw materials. Our major raw materials include surface treatment films, PVA (polyvinyl alcohol), PSA (pressure sensitive adhesive), release films and protection films, TAC (triacetate cellulose), PET (polyethylene terephthalate) and COP (cyclo-olefin polymer). We are subject to price fluctuations due to factors beyond our control, such as those relating to the global economy and government policies. There is no guarantee that we will be able to secure favorable prices, hedge effectively against the risk of price fluctuations or pass on increased costs to our customers. If we are unable to obtain raw materials of sufficient quantity from alternative sources in a timely manner and at acceptable prices, we may incur substantial costs and experience delays in our operations.

Furthermore, a majority of our raw materials are procured from suppliers located in Japan. Japan has historically experienced numerous large earthquakes that have resulted in extensive property damage. We cannot assure you that future earthquakes or other disasters will not result in significant interruptions to the availability of our raw materials and the operations of our raw material suppliers in Japan, which may materially and adversely affect our business, financial condition and results of operations.

We recorded net loss in 2016, and we may not be able to achieve profitability in the future.

We recorded net loss of NT$1,483.9 million for the year ended 31 December 2016, primarily due to the decrease in our net sales from NT$12.7 billion in 2015 to NT$10.4 billion in 2016 primarily as a result of the decreases in both our polarizer sales volume and our unit price. Our ability to become profitable depends on our ability to generate and sustain revenue while maintaining reasonable expense levels. We may record significant losses in the future for a number of reasons, including the other risks described in this section, and we may further encounter unforeseen difficulties, challenges and other unknown events. Any of the foregoing may have a material and adverse effect on our profitability, financial condition and results of operations.

Any impairment charges may have a material adverse effect on our net sales.

Under Taiwan IFRSs, we are required to evaluate our investments, tangible assets and intangible assets for impairment whenever triggering events or changes in circumstances indicate that the asset may be impaired. If certain criteria are met, we are required to record an impairment charge. We are also required under Taiwan IFRSs to evaluate goodwill for impairment at least on an annual basis or more frequently whenever triggering events or changes in circumstances indicate that goodwill may be impaired and the carrying value may not be recoverable. We 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$291.1 million in our operating costs for the year ended 31 December 2016. We are not able to estimate the extent or timing of any impairment charge for future years. Any impairment charge required may have a material adverse effect our profitability, financial condition and results of operations.

If we are unable to maintain high utilization rates at our production plants, our profitability will be adversely affected.

High utilization rates of our production plants allow us to allocate fixed costs over a greater quantity of products, thus increasing our profit margin. Historically, our existing production plants achieved production utilization rates of 89.9%, 87.5%, 64.5%, 65.5% and 72.8% for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively. The utilization rates of our production plants depend primarily on the demand for our products. The utilization rates may also be affected by various other factors, such as skills of our employees, adverse weather conditions, natural disasters and breakdown of production equipment. There is no assurance that we will be able to maintain a comparable level of utilization rates for our production plants in the future. In such event, our business, financial condition and results of operations may be materially and adversely affected.

We may experience problems with product quality or performance as a result of product defect, which could affect our reputation and result in a decrease in revenue and unexpected expenses.

While we employ quality assurance procedures during the manufacturing processes to identify and resolve quality issues with our products, we cannot assure you that our products will not contain undetected defects until after the products are installed or shipped. These defects could cause significant costs, lead to increased returns or exchanges of our products and potentially result in disputes with our customers through legal proceedings. Even if there were only a perception that our products contain errors or defects, our credibility, sales of products and market acceptance may nonetheless be harmed. Any widespread product failure will damage our reputation and customer relationships and may cause our sales to decline, which in turn could have a material and adverse impact on our financial condition and results of operations.

We are dependent on a limited number of customers for a substantial portion of our sales.

We currently sell a significant portion of our products to a limited number of customers. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, net sales generated from our five largest customers in aggregate amounted to NT$13.8 billion, NT$10.9 billion, NT$8,789.2 million, NT$4,316.3 million and NT$3,710.5 million, respectively, accounting for 87.5%, 85.9%, 84.7%, 86.7% and 67.4% of our total net sales, respectively. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, net sales generated from our largest customer amounted to NT$5,321.9 million, NT$4,179.2 million, NT$3,500.6 million, NT$1,805.5 million and NT$1,508.0 million, respectively, accounting for 33.6%, 32.8%, 33.7%, 36.3% and 27.4% of our total net sales, respectively. We enter into purchase orders with our customers, the terms of which may range from one to three months. We anticipate that our dependence on a limited number of customers will continue in the foreseeable future. Consequently, any of the following events may cause material fluctuations or declines in our revenue:

- reduction, delay or cancellation of orders from one or more of our key customers;
- failure to obtain future purchase orders from one or more of our key customers;
- loss of one or more of our key customers due to disputes, dissatisfaction with our products and failure to negotiate favorable terms with us or otherwise; and
- failure of any of our key customers to make timely payment for our products.

We may experience intense competition and fail to compete effectively.

We face competition from existing industry leaders as well as potential new market entrants. Our competitors may have longer operating histories, larger customer bases, greater brand or name recognition, as well as greater financial, technical, marketing and other resources than we do. As a result, some of our competitors may be better positioned to respond quickly to new technologies and adapt to market trends. Our competitiveness depends on the quality of our products, our capital sufficiency, our project management skill, our research and development capabilities as well as our years of experience in the industry. If we are unable to maintain a competitive position and adapt to market trends or otherwise compete successfully with our competitors, our business, financial condition and results of operations may be materially and adversely affected.

Our research and development efforts may not result in the production of commercially successful products or otherwise generate desirable results.

We believe that our future success depends in part on our research and development capabilities. We expect to continue to invest in research and development to improve and diversify our product offerings and enhance our manufacturing processes. We estimate that our research and development expenses for the years ending 31 December 2017 and 2018 will account for approximately 3.3% and 3.4% of our total cost of sales, respectively. However, there can be no assurance that we will succeed in focusing our research and development efforts on technologies that eventually become widely accepted, or on products that are timely released or commercially viable. In addition, there can be no assurance that we will be able to keep pace with technological changes in the marketplace and continue to develop products in a timely and cost-effective manner. Failure to do so may materially and adversely affect our business, financial condition and results of operations.

Our success depends on our ability to attract and retain our senior management and other key personnel, and our business may be harmed if we lose their services.

Our continuing and future success depends on the services and efforts of our senior management and key personnel, as well as our ability to attract and retain them. Losing the services of our senior management or key personnel with industry expertise or experience in areas such as risk management, research and development, production, sales and marketing, accounting and financial management could result in material disruption to our business operations. We cannot guarantee that we will be able to locate, recruit and integrate replacement personnel with equivalent qualifications in time, or at all, as competition for skilled staff and experienced management is fierce in our industry. Any unanticipated departure of members of the senior management team or key personnel without any suitable replacement may have a material and adverse impact on our business.

We require a significant amount of capital to fund necessary upgrade and expansion of our production plants.

Polarizer manufacturing is capital intensive. Significant capital expenditures are required for the technological upgrade and expansion of our production plants. We currently have two production plants in Taiwan and two production plants in China. We commenced construction of our second production plant in China, the Kunshan plant, in 2014 and expect mass production in the third quarter of 2017. As part of our business growth strategy, we have undertaken and will continue to undertake in the future upgrade and expansion of our production plants.

We expect that our total capital expenditures for the years ending 31 December 2017 and 2018 will amount to NT$223.9 million and NT$175.9 million, respectively. We are required to make these capital expenditures before we are able to generate sales from such expenditures. If adequate funds are not available on satisfactory terms at appropriate times, we may have to curtail our planned growth, which could result in a loss of customers, adversely affect our ability to implement our business strategies successfully and limit our business growth. Our ability to establish or upgrade future production plants will continue to depend largely on our ability to obtain sufficient cash flow from operations as well as external funding. Availability of capital depends on a number of factors, many of which are beyond our control, such as general economic conditions and prevailing interest rate levels. We cannot assure you that we will be able to continue to raise funds required to implement our business strategies on commercially acceptable terms, or at all. If capital resources required for our planned growth and development are not available, or if our ability to make significant capital expenditures is constrained, our business, financial condition and results of operations could be materially and adversely affected.

Our operating results are subject to fluctuations and seasonal variations.

Our net sales may vary from quarter to quarter. Typically, our sales tend to be relatively low in the first quarter primarily as a result of reduced business activities around the Chinese New Year holidays. A more volatile market may affect our typical seasonal demands and may make it challenging for us to predict future market conditions and form proper capacity plans. In addition to seasonal factors, our net sales and net profit or loss may vary due to a combination of factors such as: (i) our ability to quickly adjust to unanticipated declines or shortfalls in demand and market prices for our products; (ii) timing of capital expenditures in anticipation of future orders; (iii) changes in prices of our products; (iv) volume of order relative to our production capacity; and (v) the impact of natural disasters. Our business, financial condition and results of operations may be below our forecasts or the expectations of research analysts and investors due to the factors listed above.

Our manufacturing processes are highly complex, costly and potentially vulnerable to disruptions, which can significantly increase our production costs and delay product delivery to our customers.

Our manufacturing processes are highly complex, require advanced and costly equipment and are modified periodically to improve manufacturing yields and production efficiency. We face the risk of production difficulties from time to time, which could cause delivery delays and reduced production capacity. These production difficulties include capacity constraints, construction delays, difficulties in upgrading or expanding existing facilities, difficulties in changing our manufacturing technology and delays in the delivery or relocation of specialized equipment. We may encounter these difficulties in connection with the adoption of new manufacturing process technologies. We cannot assure you that we will be able to develop and expand our production plants without equipment delays or difficulties or that we will not encounter manufacturing difficulties in the future.

Failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business.

Our information technology system is critical to our operations. We rely on our information technology system to manage key operational functions such as data collection and analysis. We also use information technology to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. However, our information technology system may be affected by failures or interruptions due to power outages, fires, natural disasters, security breaches and viruses. Additionally, restoring any damaged information systems may cause us to incur significant costs and require additional workforce. If we are unable to recover these technological systems in a timely manner, or at all, our business and results of operations may be materially and adversely affected.

If we violate environmental regulations, we may be subject to fines or restrictions that could cause our operations to be delayed or interrupted and our business to suffer.

Our operations can expose us to the risk of environmental claims which could result in damages or fines imposed against us. We must comply with regulations relating to storage, handling, generation, treatment, emission, release, discharge and disposal of certain materials and wastes resulting from our manufacturing processes. Future changes to existing environmental regulations or unknown contamination of our sites, including contamination by prior owners and operators of our sites, may give rise to additional compliance costs or potential exposure to liability for environmental claims that may seriously affect our business, financial condition and results of operations.

We may not succeed in continuing to establish, maintain and strengthen our brand.

Our business and prospects are heavily dependent on our ability to establish, maintain and strengthen our brand, which may affect our ability to attract customers. Promoting and positioning our brand will depend significantly on our ability to provide quality products. In addition, we expect that our ability to establish, maintain and strengthen our brand will depend heavily on the success of our marketing efforts. Failure to establish, maintain and strengthen our brand may affect our ability to sell our products, which may materially and adversely affect our business, financial condition and results of operations.

We may be exposed to risks as a result of strategic acquisitions or partnerships.

We have pursued, and will continue to consider pursuing, opportunities for strategic acquisitions or partnerships to expand our business. However, there is no assurance that we will be able to (i) identify suitable and profitable strategic acquisitions or partnerships, (ii) consummate these potential strategic acquisitions or partnerships on favorable terms, or (iii) successfully integrate operations and management so as to realize the anticipated benefits of such strategic acquisitions or partnerships. Acquisitions and partnerships involve significant risks including (i) financial risks such as unanticipated liabilities and debts of the target businesses, and (ii) operational risks such as the target businesses' failure to deliver quality products that we have historically provided. Any such risks associated with strategic alliances or partnerships may pose a material and adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with conducting business overseas.

A majority of our net sales is derived from sales to customers located in China. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our net sales in China amounted to NT$9,930.1 million, NT$8,004.6 million, NT$6,498.6 million, NT$2,981.5 million and NT$3,847.8 million, respectively, accounting for 62.8%, 62.8%, 62.6%, 59.9% and 69.9% of our total net sales, respectively. We plan to continue to diversify our customer base and explore potential business opportunities in other countries and jurisdictions. As a result, our business may be vulnerable to disruptions in the international trading environment, including those caused by adverse changes in foreign government regulations, political unrest, international economic downturns, and terrorist attacks. These disruptions in the international trading environment may affect the demand for our products and change the terms upon which we sell our products overseas, which could seriously decrease our international sales. In addition, our ability to compete effectively could be materially and adversely affected by a number of factors relating to international trade regulation. Higher tariffs, duties, or our failure to comply with trade regulations could restrict our ability to export products or compete effectively with our competitors, resulting in a decrease in our international sales.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

We purchase and maintain insurance policies that we believe are customary with the industry norm and as required under the relevant laws and regulations. However, we cannot guarantee that our insurance policies will provide adequate coverage for all of the risks in connection with our business operations. In addition, our business operations involve certain risks, such as war, fire, earthquake, flood, explosion, disease outbreak and other acts of God, which may result in significant costs or cause business disruptions. Our insurance policies may not cover all of our risks or payments, and our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our business operations. Furthermore, there is no guarantee that insurance premiums will not rise in the future, or that we will be able to secure coverage on favorable terms, or at all. As such, inadequate or insufficient insurance coverage may expose us to significant costs and business disruptions.

We may be involved in claims, disputes and legal proceedings in our ordinary course of business.

We may be involved in claims, disputes and legal proceedings in our ordinary course of business, such as defective or allegedly defective products, payment disputes and breaches of contracts. We were not involved in any material legal proceeding or arbitration which may have, or has had, a significant effect on our business and financial condition for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017. However, we cannot assure you that we will not be subject to any legal proceedings in the future. Any future claims, disputes and legal proceedings brought against us, with or without merit, could result in substantial costs and diversion of resources. Furthermore, claims, disputes and legal proceedings against us may be due to substandard raw materials provided to us by our suppliers or manufacturers, who may not be able to indemnify us in a timely manner, or at all, for our costs resulted from such claims, disputes and legal proceedings. Occurrence of any of the above may materially and adversely affect our business, results of operations and reputation.

We may fail to comply with applicable laws and regulations or to maintain the requisite licenses, certificates or permits.

We are subject to ROC laws and regulations which govern various aspects of our operations, including those in respect of labor protection. We are also subject to relevant laws and regulations of jurisdictions in which we have overseas sales. The laws and regulations relating to our industry in the ROC and other countries continue to evolve, and any changes to such laws and regulations or their interpretation or enforcement may expose us to the risk of non-compliance. In addition, certain legal uncertainties in, and inconsistent interpretations and enforcement of, current and future laws and regulations may make compliance more difficult or costly. We may be unable to pass any additional costs to our customers, resulting in a material and adverse effect on our results of operations.

We are required to obtain, maintain and renew a number of certificates, licenses and permits to operate our business. There can be no assurance that we will always be able to renew or obtain approvals in relation to our current and future operations or obtain any new certificates, licenses and permits that may become necessary for our operations. If we fail to do so, or if we are deemed to be non-compliant with the relevant laws and regulations, we could be subject to administrative or regulatory fines or other penalties, criminal proceedings and the suspension of our operations.

We may be involved in intellectual property disputes and claims of infringement, which may divert our management's attention and harm our reputation and profitability.

We rely on a combination of patents, trademarks and contractual rights to protect our intellectual property rights. See “Business – Intellectual Property” for more information. We also possess know-how and trade secrets in relation to the design and development for our products that we believe are material to our operations. In addition, our trademarks are significant to our brand recognition and the success of our business. However, our protective measures may be insufficient to guard against misappropriation or unauthorized disclosure of our intellectual property rights. We cannot assure you that we will be successful in enforcing confidentiality provisions or undertaking enforcement proceedings in the event that there is any unauthorized use of our intellectual property. Failure to successfully enforce our intellectual property rights would diminish our level of competitiveness and harm our reputation.

We may be required to commence legal proceedings to enforce our intellectual property rights and protect our proprietary information. However, we cannot assure you that we will prevail in such proceedings. Moreover, any litigation to protect our proprietary knowledge would be time-consuming and costly and divert the attention of our senior management and key personnel from our business operations.

Our business may be adversely affected by the occurrence of epidemics.

Any future occurrences of epidemics, such as the Middle East Respiratory Syndrome (MERS), the Ebola virus, severe acute respiratory syndrome (SARS), strains of avian influenza, the human swine influenza A (H1N1), the influenza A virus (H5N1) and the Avian Influenza A (H7N9) may severely disrupt our business. An outbreak could hinder business activities in affected areas, which could severely disrupt our operations. Furthermore, measures taken by governments in response to such health epidemics may interrupt our operations or the operations of our suppliers or customers, which could have a material and adverse effect on our business and results of operations.

RISKS RELATION TO THE ROC

Disruptions in the ROC’s political and economic environment could seriously harm our business.

We are incorporated in the ROC where our headquarters and a significant portion of our assets are located. Accordingly, our financial condition, results of operations and the market price of the Shares may be affected by changes in government policies, taxation, inflation, interest rates, social instability and other military, political, economic or social developments in or affecting the ROC.

In addition, the ROC has a unique international political status. Since 1949, Taiwan and mainland China have been separately governed. The PRC government regards Taiwan as a province of the PRC and does not recognize the legitimacy of its sovereignty. Although significant economic and cultural relations have been established during recent years between the ROC and the PRC, relations have often been strained. The PRC government has not renounced the use of military force to gain control over Taiwan, particularly under what it considers as highly provocative circumstances, such as a declaration of independence by Taiwan or the refusal by the ROC to accept the PRC’s “one China” policy. Further, the PRC government passed the *Anti-Secession Law* in March 2005, which authorizes non-peaceful means and other necessary measures should Taiwan move to gain independence from the PRC. Past developments in relations between the ROC and the PRC have on occasion depressed the market prices of the ROC securities market. Relations between the ROC and the PRC and other factors affecting military, political, economic or social conditions in the ROC could materially and adversely affect our financial condition and results of operations, as well as the market price and liquidity of our securities.

The economy in the ROC, similar to the global economy, has faced hardship in the last few years, and it continues to face challenges in the short to medium term. As a result of the recovery from global economic downturn, the ROC has experienced slow economic growth in the last years, and such recovery may not work in the long term to fully recover the severe downturn in economic activities. Continued turbulence in the international market, decline in global consumer spending and future slowdown of economic growth in the ROC may adversely affect our business, prospects, financial condition and results of operations.

We publish monthly sales information as part of our ongoing reporting obligations, and such information is subject to change due to normal quarter-end closing procedures and excludes expenses and other information necessary to be indicative of our actual financial results.

As part of our ongoing reporting obligations as a company listed on the TWSE, we post monthly sales information on the Market Observation Post System (http://mops.twse.com.tw). Such information is preliminary, unconsolidated and subject to change due to adjustments upon completion of our normal quarter-end closing procedures. Actual financial performance could differ materially from such preliminary information. The information contained on the Market Observation Post System does not form part of this Offering Circular.

Further, this preliminary information does not include consolidated results, cost of sales, operating expenses or other expenses or potential non-operating losses and therefore are not indicative of our actual financial results for the respective months or future periods. Consequently, you should not place undue reliance on such information.

As we are a public company, actions taken by us or third parties may result in a change in control of the Company.

We are a public company listed on the TWSE. As a result, we may be subject to potential takeovers or acquisitions by third parties through the purchase of our publicly traded Shares, especially provided that our shareholding structure is diversified and that we do not currently have a concentrated ownership structure. In addition, there may be potential mergers or acquisitions, consolidations or share swaps that result in a change of control. A change of control may lead to changes in management, strategies or business direction, as well as the termination of agreements that contain relevant change of control provisions, all of which may have a material and adverse effect on our business, prospects, financial condition and results of operations.

Financial reporting requirements and accounting standards in the ROC differ from those in other countries.

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries, including the United States. In addition, our financial statements for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 are prepared in accordance with the Taiwan IFRS, which differ in certain material respects from the IFRS. See "Summary of Certain Significant Differences Between the Taiwan IFRS and the IFRS." We have not prepared a complete reconciliation of our consolidated financial statements for the years ended 31 December 2014, 2015 and 2016 and the six months ended

30 June 2016 and 2017 and related footnote disclosure between the Taiwan IFRS and the IFRS, and we have not quantified such differences. Accordingly, no assurance is provided that the disclosure in "Summary of Certain Significant Differences between the Taiwan IFRS and the IFRS" is complete. In making an investment decision, investors must rely upon their own examination of our financial information and the terms of the GDSs. Potential investors should consult their own professional advisers for an understanding of such differences and how they might affect the financial information contained herein.

We are incorporated in the ROC, and because corporate governance under ROC law differs from that under the laws of the United States and other jurisdictions, our corporate governance requirements may not be as developed or of the same standard as those under the laws of the United States and other jurisdictions.

We are incorporated under ROC law, and our corporate governance is governed by our Articles of Incorporation and by the applicable ROC laws and regulations. ROC law does not require a public company to have a majority of independent directors on its board of directors. The *ROC Securities and Exchange Act* requires public companies meeting certain criteria as may be promulgated by the ROC FSC from time to time to have two independent directors but no less than one-fifth of the total number of the directors. In addition to independent directors, the *ROC Company Act* and the *ROC Securities and Exchange Act* require us to have two or more supervisors or to establish an audit committee in lieu of supervisors. We currently have three independent directors on our nine-member board of directors. Such corporate governance requirements may not be as developed or of the same standard as those under the laws of the United States or other jurisdictions. As such, the holders of the GDSs and our Shareholders may have more difficulty in protecting their interests in connection with actions taken by our management or directors than they would as public shareholders in other jurisdictions.

RISKS RELATING TO THE PRC

We are subject to the political, economic and legal environments in the PRC.

Currently we sell and market our products to customers in the PRC, and we expect to make further investments in the PRC in the future. Accordingly, our business is subject to the political, economic and legal environments in the PRC. There can be no assurance that our investments and business activities in the PRC will not be adversely affected if relations between the PRC and the ROC are further strained.

Prior to 1978, the PRC had adopted a central economic planning system. All production and economic activities in the country were governed by the economic goals set out in the five-year plans and the annual plans adopted by the central authorities. Since 1978, the PRC government has permitted foreign investment and implemented several economic reforms, gradually changing from a planned economy towards a market-oriented economy. However, many of the reforms and economic policies adopted or to be adopted by the PRC government are unprecedented or experimental in nature and may have unforeseen results, which may have an adverse effect on enterprises with substantial businesses in the PRC.

The PRC government has implemented policies from time to time to regulate economic expansion in the PRC. Although in recent years the PRC government has implemented measures emphasizing the use of market force for economic reform, it continues to play a significant role in regulating market activities. The PRC government exercises significant control over the PRC's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies.

While the PRC's economy has experienced significant growth in the past 30 years, growth has been uneven both geographically and among various sectors. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. While some of these measures benefit the PRC's overall economy, they may have a negative effect on us. For example, our business, financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations.

Uncertainties in the PRC legal system could adversely affect our business and results of operations.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. However, since these laws and regulations are relatively new and continue to evolve rapidly, interpretations of laws and regulations are not always uniform, and enforcement of such laws and regulations involves uncertainties. The development of the PRC legal system is not yet complete. In addition, there may be PRC laws and regulations that are peculiar to the PRC and not commonly seen in developed countries and may impose additional procedural or compliance requirements on those to whom they apply. Furthermore, the recognition and enforcement of foreign judgments are provided for under the *PRC Civil Procedural Law*. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the *PRC Civil Procedural Law* based either on treaty between the PRC and the country where the judgment is made or on reciprocity between jurisdictions.

Therefore, if a foreign judgment is rendered by a foreign court in which the country and the PRC do not have any treaty or agreement providing for the reciprocal recognition and enforcement of foreign judgments, such a judgment may not be enforced by a PRC court. The PRC's relatively inexperienced legal system in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of laws and regulations of the PRC may be subject to government policies reflecting domestic political changes.

We cannot predict the future development of the PRC legal system, such as the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local regulations or the overturn of local government's decisions by superior laws. These uncertainties may limit the legal protections available to us. In addition, any litigation in the PRC may be protracted and may result in substantial costs, diversion of our resources and disruption of our business.

Dividends we receive from our PRC subsidiaries may be subject to PRC withholding tax.

The *PRC Enterprise Income Tax Law* (the "**EIT Law**") provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are "non-resident enterprises" to the extent such dividends are derived from sources within the PRC. The PRC State Council has reduced such rate to 10% through the implementation of the *EIT Law*. We are therefore subject to such withholding tax with respect to business operations carried out by our PRC subsidiaries.

RISKS RELATING TO THE GDSs AND THE SHARES

There has been no prior market for the GDSs, and the market price of the GDSs may decrease after the offering.

Prior to this offering, there has been no public market for the GDSs. While approval in-principle has been received for the listing and quotation of the GDSs on the SGX-ST, the GDSs will be traded over-the-counter, and we cannot provide any assurance that an active public market for the GDSs will develop or be sustained. The offering price of the GDSs will be determined through negotiations between us and the Sole Lead Manager, and it may not necessarily be indicative of the market price after the offering is complete. The prices at which the GDSs will trade after the offering will be determined by the market and may be influenced by many factors including:

- the trading price of the Shares;
- our financial results;
- an assessment of our management, past and present operations, and the prospects for, and timing of such assessment of, our future revenue and costs;
- our ability to successfully expand into new markets;
- the valuation of publicly traded companies that are engaged in business activities similar to us; and
- any volatility in the ROC and international securities markets.

Following the offering, the prices at which the GDSs will trade may be volatile. The ROC and international securities markets have from time to time experienced significant price and volume fluctuations that have affected the market prices of securities. These fluctuations often have been unrelated or disproportionate to the operating performance of publicly traded companies. In the past, following periods of volatility in the market price of a particular company's securities, securities litigation has sometimes been brought against such company. If similar litigation were instituted against us, it could result in substantial costs and divert management's attention and resources from our core business.

Future sales of the GDSs, the Shares or similar securities may depress the price of the GDSs and the Shares and make it difficult for you to recover the full value of your investment.

Subject to certain exceptions, we have agreed that we will not, for a period of 90 days after the date of this Offering Circular, directly or indirectly issue, offer, sell, contract to sell or otherwise dispose of any GDSs or Shares, or any securities convertible into or exchangeable for any GDSs or Shares. However, once this lock-up restriction expires, terminates or is waived, there will be no restriction on our ability to issue or sell GDSs or Shares. Future issuances or sales of substantial amounts of GDSs or Shares in the public market after the completion of this offering, or the perception that substantial issuances or sales could occur, could adversely affect the market price of the GDSs and the Shares and make it difficult for you to recover the full value of your investment.

We have significant discretion as to how we will use the proceeds of the offering and you may not necessarily agree with how we use them.

The proceeds to be received by us from the offering will be approximately US$63.50 million, calculated after deducting underwriting discounts and commissions and related expenses. Our management may spend the net proceeds from the offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the offering for the procurement of raw materials overseas in foreign currencies. See "Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from the offering.

We may amend the Deposit Agreement without your consent and for any reason and, if you disagree with our amendments, your choices will be limited to selling the GDSs or withdrawing the underlying Shares.

We may agree with the Depositary to amend the Deposit Agreement without your consent and for any reason. If an amendment increases fees to be charged to the holders of GDSs or prejudices substantial existing rights of the holders of GDSs, it will not become effective as to outstanding GDSs until 30 days after the Depositary notifies the holders of GDSs of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your GDSs, to have agreed to the amendment and to be bound by the amended Deposit Agreement. If you do not agree with an amendment to the Deposit Agreement, your choices will be limited to selling the GDSs or withdrawing the underlying Shares. No assurance can be given that a sale of GDSs could be made at a price satisfactory to you in such circumstances.

If you surrender your GDSs for cancellation in order to withdraw the underlying Shares, you may not be allowed to deposit the Shares again to obtain GDSs.

Under the Deposit Agreement, Shareholders may deposit those Shares and obtain GDSs, and the holders of GDSs may surrender GDSs for cancellation and receive Shares. However, under the current ROC laws and regulations, ROC FSC approval would be required for the deposit of Shares to the extent it exceeds the difference between (i) the aggregate number of Shares deposited by us for the issuance of GDSs (including deposits in connection with the initial and all subsequent offerings of GDSs and stock dividends or other distributions related to these GDSs), and (ii) the number of Shares on deposit with the Depositary at the time of such proposed deposit. It is possible that approval would not be given. As a result, if you surrender GDSs for cancellation and withdraw the Shares, you may not be able to deposit the Shares again to obtain GDSs.

You may not be able to exercise pre-emptive rights for additional Shares and may suffer dilution of your equity interest in us.

The *ROC Company Act* and our Articles of Incorporation require us, with some exceptions, to offer our Shareholders the right to subscribe for new Shares in proportion to their existing ownership percentage whenever new Shares are issued. If we issue new Shares to persons other than our Shareholders, the GDS holders will experience dilution of such holding. If none of the exceptions are available, we will be required to grant pre-emptive rights when issuing additional Shares under ROC law. Under the Deposit Agreement, if we offer any rights to subscribe for additional Shares or any rights of any other nature, the Depositary, after consultation with us, may make the rights available to you or use reasonable efforts to dispose of the rights on your behalf and make the net proceeds available to you. The Depositary, however, is not required to make available to you any rights to purchase any additional Shares unless it deems that doing so is lawful and feasible and that the offering and sale of those Shares is exempt from or is not subject to the registration requirements of the *U.S. Securities Act* and we request it to make these rights available.

The holders of GDSs will not be able to exercise their rights as dissenting Shareholders unless they have surrendered the GDSs for cancellation and withdrawn the underlying Shares and become our direct Shareholders.

In some limited circumstances, including the transfer of the whole or any significant part of our business and our merger or consolidation with another company, dissenting Shareholders have the right to require us to purchase their Shares under ROC law. The holders of GDSs will not be able to exercise dissenting Shareholders' rights unless such holders of GDSs have surrendered the GDSs for cancellation and withdrawn the underlying Shares and become our direct Shareholders. See "Description of the Shares – Other Rights of Shareholders."

The holders of GDSs will not have the proposal rights and nomination rights on directors' election that holders of our Shares have, which may affect the value of your investment.

The *ROC Company Act* provides that shareholders holding 1% of more of the total issued shares of a company have rights to, during the period of time prescribed by the company, propose any matter for shareholders' votes at general shareholders' meetings. However, the holders of GDSs do not have the right to propose any matter for Shareholders' votes at our Shareholders' meetings.

Besides, our Articles of Incorporation adopts a nomination system which provides that holders of 1% or more of the issued and outstanding Shares of the Company would be entitled to submit a roster of candidates to be considered for nomination to the Company's board of directors at a Shareholders' meeting involving the election of directors. However, holders of the GDSs do not have the right to submit a roster of candidate.

You will not have the same voting rights as a Shareholder.

You may exercise voting rights with respect to the Shares underlying your GDSs in the manner described in "Description of the Global Depositary Shares – Voting Rights." You may instruct the Depositary how to exercise the voting rights for the underlying Shares. After receiving voting materials from us, if we ask the Depositary to do so, the Depositary will notify the holders of GDSs of any Shareholders' meeting or solicitation of consents or proxies. This notice will describe how you may instruct the Depositary to exercise the voting rights for the underlying Shares, subject to applicable laws and our Articles of Incorporation. For instructions to be valid, the Depositary must receive them on or before the date specified. The Depositary will endeavor, insofar as reasonably practicable and permitted under applicable laws and our Articles of Incorporation, to vote or to have its agents vote the Shares or other deposited securities represented by your GDSs as you instruct. The Depositary will not itself exercise any voting discretion. GDSs for which no voting instructions have been received will not be voted. You may only exercise the voting rights in respect of a number of GDSs representing an integral number of Shares. There is no guarantee that you will receive notice with sufficient time to enable you to return voting instructions to the Depositary in a timely manner.

Fluctuations in the exchange rate between the NT Dollar and the US Dollar may have a material and adverse effect on the value of the GDSs or the Shares in US Dollar terms.

Cash dividends, if any, in respect of the Shares represented by the GDSs will be paid to the Depositary in NT Dollars and then converted by the Depositary into US Dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the NT Dollar and the US Dollar will affect, among other things, the amount that the holders of GDSs will receive from the Depositary in respect of dividends, the US Dollar value of the proceeds that the holders of GDSs would receive upon sale in Taiwan of the Shares obtained upon surrender of the GDSs and the secondary market price of the GDSs.

USE OF PROCEEDS

We estimated that the net proceeds from the offering of the GDSs will be approximately US$63.50 million, calculated after deducting underwriting discounts and commissions and related expenses.

We intend to use the net proceeds from this offering for the procurement of raw materials overseas in foreign currencies.

MARKET PRICE INFORMATION

Our Shares have been listed on the TWSE since 24 October 2011. The table below sets forth the high and low closing prices and the average daily volume of trading activity on the TWSE for our Shares, where applicable, as well as the highest and lowest of the daily closing values of the TWSE Index for the periods indicated.

	Closing price per Share on the TWSE		Average daily trading volume on the TWSE	TWSE Index	
	High	Low		High	Low
	NT$	*NT$*			
2014					
First Quarter	41.35	35.20	120,644,496	9,569.17	8,264.48
Second Quarter	38.40	34.20	104,230,647	9,393.07	8,774.12
Third Quarter	38.15	33.15	85,142,964	9,596.17	8,960.76
Fourth Quarter	37.00	29.30	77,187,880	9,307.26	8,512.88
2015					
First Quarter	34.65	31.50	57,292,375	9,758.09	9,048.34
Second Quarter	34.25	26.95	60,541,139	9,973.12	9.189.83
Third Quarter	27.05	16.25	46,091,502	9,379.24	7,410.34
Fourth Quarter	23.35	20.05	36,087,821	8,857.02	8,040.16
2016					
First Quarter	23.00	18.40	61,689,874	8,812.70	7,664.01
Second Quarter	19.40	14.05	38,224,122	8,716.25	8,053.69
Third Quarter	16.35	13.65	57,509,225	9,284.62	8,575.75
Fourth Quarter	14.65	10.50	66,827,993	9,392.68	7,664.01
2017					
January	14.85	13.10	183,742,564	9,447.95	9,272.88
February	14.10	13.25	63,343,355	9,799.76	9,428.97
March	13.60	12.85	64,954,526	9,972.49	9,627.89
April	16.30	13.30	353,929,587	9,949.48	9,632.69
May	15.20	13.65	166,887,137	10,108.49	9,899.94
June	15.35	14.15	140,465,161	10,513.95	10,072.46
July	14.35	13.30	63,055,620	10,508.37	10,289.91

Source: TWSE website

On 7 September 2017, the reported closing price of our Shares was NT$14.20 per Share, and the TWSE Index closed at 10,538.51. The trading price and the daily closing price of the Shares are available on the Market Observation Post System (http://mops.twse.com.tw). For the avoidance of doubt, none of the information contained on the Market Observation Post System is incorporated by reference into this Offering Circular, nor should any of such information be considered part of this Offering Circular.

The TWSE has experienced substantial fluctuations in the prices of listed securities, and there are currently limits on the range of daily price movements. See "Appendix A – The ROC Securities Market."

EXCHANGE RATES

The following table sets forth the average rates, high, low and period-end noon buying rate between NT Dollars and US Dollars (in NT Dollars per US Dollar) for the periods indicated. No representation is made that the NT Dollar amounts actually represent such US Dollar amounts or could have been, or could be, converted into US Dollars at the rate indicated, at any other rate or at all.

	NT Dollar/US Dollar Noon Buying Rate			
	Average(1)	**High**	**Low**	**Period End**
2011	29.38	28.50	30.67	30.27
2012	29.56	28.96	30.28	29.05
2013	29.68	28.93	30.20	29.83
2014	30.30	29.85	31.80	31.60
2015	31.74	30.37	33.17	32.79
2016	32.24	31.05	33.74	32.40
2017				
January	31.69	31.31	32.37	31.19
February	30.85	30.61	31.17	30.64
March	30.65	30.14	31.03	30.38
April	30.36	30.06	30.63	30.19
May	30.13	30.01	30.30	30.11
June	30.26	30.07	30.46	30.38
July	30.39	30.18	30.61	30.20

Source: For all periods, the exchange rate refers to the noon buying rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board.

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant period for annual periods and the rates on each business day for monthly periods.

DIVIDENDS AND DIVIDEND POLICY

Our Articles of Incorporation, as amended by the Shareholders on 8 February 2017, provides that, if there is any profit in any given year:

(a) Not less than 2% of our annual profits (less prior years' accumulated losses, if any) should be paid to our employees (including the employees of our affiliates qualifying certain conditions) as compensation, in the form of cash or Shares as resolved by the board of directors; and

(b) Up to 1% of our annual profits (less prior years' accumulated losses, if any) may be paid to the directors as compensation as resolved by the board of directors.

Except under limited circumstances, we will not be permitted to distribute dividends or make other distribution to Shareholders in any given year in which we do not record net income or retained earnings (excluding reserves). The *ROC Company Act* also requires that 10% of the annual net income (less prior years' losses, if any, and applicable income taxes) be set aside as a legal reserve until the accumulated legal reserve equals our paid-in capital. In addition, our Articles of Incorporation provides that our net income shall be distributed in the following manners:

(a) making up for accumulated losses;

(b) setting aside a 10% legal reserve until the accumulated legal reserve equals our paid-in capital;

(c) setting aside or reserving special reserve; and

(d) the remainder plus the accumulated undistributed profit at the beginning of the preceding fiscal year and the adjusted undistributed profit of the given fiscal year is distributable earnings for the board of directors to submit a proposal for the distribution of dividends for approval at the general Shareholders' meeting.

The dividends may be distributed in the form of cash or Shares, provided that dividends distributed in the form of cash shall be no less than 10% of the total dividends declared. The following table sets forth the aggregate number of outstanding Shares entitled to dividends, as well as the cash dividend paid and stock dividends distributed on each Share, during each of the years indicated. Figures represent dividends in respect of the prior fiscal year paid in the then current fiscal year:

	Aggregate number of Shares outstanding on record date	**Stock dividend per Share**	**Cash dividend per Share**
		NT$	*NT$*
2011	443,170,000	-	1.80
2012	491,170,000	-	1.75
2013	491,170,000	0.50	0.50
2014	515,728,500	-	2.50
2015	515,728,500	-	0.50

Cash dividends declared on the Shares represented by the GDSs will be paid to the Depositary in NT Dollars. The Deposit Agreement provides that, except in certain circumstances, cash dividends received by the Depositary will be converted by the Depositary into US Dollars (if not received in US

Dollars) and distributed to the holders of GDSs according to the terms of the Deposit Agreement. See "Description of the Global Depositary Shares – Dividends and Other Distributions" for more information.

CAPITALIZATION

The following table sets forth our capitalization as of 30 June 2017 (i) on an actual basis and (ii) as adjusted for the net proceeds from the offering of the GDSs. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the notes to those statements, included elsewhere in this Offering Circular.

	As of 30 June 2017			
	Actual		As adjusted for the net proceeds from the offering of the GDSs	
	NT$'000	*US$ '000* (1)	*NT$'000*	*US$'000* (1)
Cash and cash equivalents	2,712,267	89,278	4,618,545	152,026
Current liabilities:				
Short-term bank loans	3,331,331	109,655	3,331,331	109,655
Current portion of long-term bank loans	2,537,562	83,527	2,537,562	83,527
Non-current liabilities:				
Long-term bank loans	–	–	–	–
Shareholders' equity:				
Common shares	5,157,285	169,759	6,657,285	219,134
Capital surplus	453,761	14,936	903,733	29,748
Retained earnings	4,606,615	151,633	4,606,615	151,633
Other equity	(294,726)	(9,701)	(294,726)	(9,701)
Non-controlling interests	2,146,246	70,647	2,146,246	70,647
Total equity	12,069,181	397,274	14,019,153	461,461
Total capitalization	12,069,181	397,274	14,019,153	461,461

Note:

(1) NT Dollar amounts have been converted into US Dollar amounts using the noon buying rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board on 30 June 2017 of NT$30.38 to US$1.00 solely for the convenience of the readers.

SELECTED FINANCIAL DATA

The following table presents our selected financial data. The selected consolidated financial data as of and for the years ended 31 December 2014, 2015 and 2016 set forth below are qualified by reference to, and should be read in conjunction with, our audited consolidated financial statements included elsewhere in this Offering Circular. The selected consolidated financial data as of and for the six months ended 30 June 2016 and 2017 set forth below are qualified by reference to, and should be read in conjunction with, our unaudited consolidated financial statements included elsewhere in this Offering Circular. The audited financial statements as of and for the years ended 31 December 2014, 2015 and 2016 have been prepared and presented on a consolidated basis and in accordance with the Taiwan IFRS, which, however, differs in certain material respects from the U.S. GAAP and the IFRS, including with respect to the rules regarding the presentation of consolidated financial statements. See "Summary of Certain Significant Differences Between the Taiwan IFRS and the IFRS." The unaudited financial statements for the six months ended 30 June 2016 and 2017 have been prepared and presented on a consolidated basis and in accordance with the IAS 34 Interim Financial Reporting endorsed by the ROC FSC.

	Year ended 31 December				Six months ended 30 June		
	2014	2015	2016		2016	2017	
	NT$'000	*NT$'000*	*NT$'000*	*US$'000*	*NT$'000*	*NT$'000*	*US$'000*
		(audited)				*(unaudited)*	
Consolidated Statement of Comprehensive Income Data:							
Net sales	15,818,286	12,747,295	10,374,172	341,480	4,978,123	5,504,982	181,204
Cost of sales	(12,919,962)	(10,958,288)	(11,170,927)	(367,707)	(5,143,224)	(5,891,602)	(193,930)
Gross profit (loss)	2,898,324	1,789,007	(796,755)	(26,227)	(165,101)	(386,620)	(12,726)
Total operating expenses	(718,669)	(706,397)	(775,613)	(25,530)	(344,930)	(426,482)	(14,039)
Other operating income and expenses	–	–	(33,870)	(1,115)	(43,159)	–	–
Profit (Loss) from operations	2,179,655	1,082,610	(1,606,238)	(52,872)	(553,190)	(813,102)	(26,765)
Total non-operating income and expenses	493,198	283,976	62,767	2,067	(259,664)	(86,467)	(2,846)
Profit (Loss) before income tax	2,672,853	1,366,586	(1,543,471)	(50,805)	(812,854)	(899,569)	(29,611)
Income tax benefits (expenses)	(433,220)	(319,427)	59,609	1,962	(39,542)	119,947	3,948
Net profit (loss) for the year/period	2,239,633	1,047,159	(1,483,862)	(48,843)	(852,396)	(779,622)	(25,663)
Per Share Data(1):							
Basic earnings (loss) per Share	4.36	2.03	(2.88)	(0.09)	(1.65)	(1.35)	(0.04)
Diluted earnings (loss) per Share	4.34	2.02	(2.88)	(0.09)	(1.65)	(1.35)	(0.04)
Other Financial Data:							
Gross profit (loss) margin	18.3%	14.0%	(7.7)%	(7.7)%	(3.3)%	(7.0)%	(7.0)%
Operating margin	13.8%	8.5%	(15.5)%	(15.5)%	(11.1)%	(14.8)%	(14.8)%
Net profit (loss) margin	14.2%	8.2%	(14.3)%	(14.3)%	(17.1)%	(14.2)%	(14.2)%

Note:

(1) For the years ended 31 December 2014 and 2015, earnings (loss) per Share are calculated by dividing net income (loss) by the weighted average number of Shares outstanding during each period after adjusting retroactively for the effect of stock dividends and employees' bonuses. For the year ended 31 December 2016 and six months ended 30 June 2016 and 2017, basic loss per Share is calculated without such adjustment as the related Shares are anti-dilutive and are therefore not included in the calculation of diluted loss per Share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our consolidated financial information should be read in conjunction with our consolidated financial statements, including the notes to those statements, included elsewhere in this Offering Circular.

The discussion and analysis relating to our financial information as of and for the years ended 31 December 2014, 2015 and 2016 are based on our audited consolidated financial statements as of such dates and for such periods presented in conformity with the Taiwan IFRS. The discussion and analysis relating to our financial information as of and for the six months ended 30 June 2016 and 2017 are based on our unaudited consolidated financial statements as of such dates and for such periods presented on a consolidated basis and in accordance with the IAS 34 Interim Financial Reporting endorsed by the ROC FSC.

OVERVIEW

We are one of the leading polarizer manufacturers in the world. We manufacture polarizers of various sizes ranging from seven to 65 inches and supply primarily to LCD manufacturers in Taiwan and internationally. Our polarizers can be applied in a wide spectrum of electronic devices, including PC monitors, TVs, laptops, PDAs, mobile phones, digital cameras, digital photo frames and GPS.

We derive substantially all of our net sales from the sales of polarizers and polarizer rolls. The following table sets forth a breakdown of our net sales by product for the periods indicated:

	Year ended 31 December						**Six months ended 30 June**			
	2014		**2015**		**2016**		**2016**		**2017**	
	NT$ million	*%*	*NT$ million*	*%*	*NT$ million*	*%*	*NT$ million*	*%*	*NT$ million*	*%*
Polarizers …………………….	15,127.0	95.6	11,536.8	90.5	9,703.4	93.5	4,684.1	94.1	4,302.3	78.1
Polarizer rolls…………………	648.6	4.1	1,194.5	9.4	518.9	5.0	256.5	5.2	362.3	6.6
Chemicals ………………… …	42.7	0.3	16.0	0.1	151.9	1.5	37.5	0.7	840.4	15.3
Total net sales ……………….	**15,818.3**	**100.0**	**12,747.3**	**100.0**	**10,374.2**	**100.0**	**4,978.1**	**100.0**	**5,505.0**	**100.0**

Net sales generated from sales of polarizers represented over 75% of our total net sales for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016. Net sales generated from sales of polarizers decreased from NT$15.1 billion for the year ended 31 December 2014 to NT$11.5 billion for the year ended 31 December 2015, and it further decreased to NT$9.7 billion for the year ended 31 December 2016 due to the decreases in both our polarizer sales volume and our unit price as a result of the decreasing demand for polarizers in the market. Due to similar reasons, net sales generated from sales of polarizers decreased from NT$4.7 billion for the six months ended 30 June 2016 to NT$4.3 billion for the six months ended 30 June 2017.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and the period-to-period comparability of our financial results are affected by a number of external factors. Our consolidated financial statements may not be indicative of our future earnings, cash flows or financial position for numerous reasons, including those described below. Please also see "Risk Factors" for a discussion of certain risks inherent in our business.

Pricing

We price our products on a per unit basis, taking into account several factors such as prevailing market condition, product design support, product performance, product feature, product quality, raw material cost and customer relationship. We believe that our current level of pricing is comparable to that of other leading polarizer manufacturers. In addition, we believe that our ability to produce quality polarizers will enable us to compete effectively with other leading polarizer manufacturers at comparable price levels. In recent years, consumer expectation for display panels has become higher, partly due to the introduction of ultra-high resolution display panels to the market. This has prompted panel manufacturers to commit to developing panels that incorporate more advanced technologies with lower production costs and higher efficiency. Selecting high-quality polarizers at a favorable price therefore is critical to panel manufacturers. As a result of this increase in competition, we expect pricing to continue to be a key factor affecting our results of operations.

Raw Material Costs

Our results of operations are affected by the cost of our raw materials necessary for our manufacturing processes. Our major raw materials include surface treatment films, PVA, TAC, COP, PSA, PET, release films and protection films. Most of our raw materials are sourced from suppliers located in Japan. We have maintained good business relationships with our suppliers and have been able to purchase the necessary raw materials on reasonable commercial terms. The prices we pay to our suppliers for the raw materials are affected by the market prices of these raw materials. For example, historically the price of TAC has fluctuated from NT$156.0 in 2014 to NT$115.0 in 2015 and to NT$156.0 in 2016, and the price of PVA has fluctuated from NT$328.0 in 2014 to NT$300.0 in 2015 and to NT$325.0 in 2016. Our supply orders with our raw material suppliers generally do not include a price adjustment clause. We currently do not maintain any hedging or similar arrangements to limit our exposure to movement in the prices of any of the raw materials. As such, in the event that we are unable to fully pass on the price increase in raw materials to our customers, or at all, our business operations and financial performance may be affected. See "Risk Factors – Risks Relating to Our Business and Industry – We may be materially and adversely affected by changes in the prices and availability of our raw materials."

Capacity Utilization

We seek to continually enhance our manufacturing productivity. As of 30 June 2017, we had two production plants in Taiwan and two production plants in China. See "Business – Production Plants, Production Capacity and Equipment – Production Plants and Production Capacity" for details. Our production plants are housed with a total designed annual production capacity of 22,215.0 thousand meters. In order to accommodate the increasing demand for our products, we have expanded our production capacity in the past. In addition, as part of our growth strategy, we intend to continue to expand our business operations. We plan our future production capacity based on our expectations regarding a number of inherently uncertain factors, including anticipated demand for our products and general market conditions. Our production capacity may not match future market demand as expected. In addition, if the demand for any of our products is lower than anticipated due to unforeseen changes to consumer preferences, market conditions or otherwise, our profitability would suffer, and we would not achieve satisfactory or sustainable returns from our investments in the expansion of production capacity. In addition, we would likely incur higher production costs. Conversely, our expansion of production capacity may fail to meet the increasing demand for our products, in which case, our market share may be eroded. See "Risk Factors – Risks Relating to Our Business and Industry – If we are unable to maintain high utilization rates at our production plants, our profitability will be adversely affected."

Foreign Exchange Rate Fluctuations

Our financial condition and results of operations may be materially affected by fluctuations in exchange rates. We report our financial results in NT Dollars. A portion of our cost of sales and net sales has been denominated in currencies other than NT Dollars, including US Dollars and Japanese Yen. For example, according to OANDA FX Rates, a leader in providing currency data for a range of organizations and investors, Japanese Yen appreciated against NT Dollar by 4.3% from NT$0.2869 in 2014 to NT$0.2745 in 2015. Japanese Yen depreciated against NT Dollar by 8.1% from NT$0.2745 in 2015 to NT$0.2968 in 2016. US Dollar depreciated against NT Dollar by 4.7% from NT$30.3120 in 2014 to NT$31.7301 in 2015. US Dollar depreciated against NT Dollar by 1.5% from NT$31.7301 in 2015 to NT$32.2139 in 2016. The net foreign exchange losses resulting from the application of a different foreign exchange rate when the transaction is settled and the amount received or paid in the settlement are converted into or from NT Dollars and credited or charged to income. As a result of currency fluctuations, we recognized net foreign exchange gains that amounted to NT$617.8 million, NT$247.1 million and NT$60.5 million for the years ended 31 December 2014, 2015 and 2016, respectively, and we recognized net foreign exchange losses that amounted to NT$344.8 million and NT$112.2 million for the six months ended 30 June 2016 and 2017, respectively. To the extent that we incur costs in one currency and make revenue in another or incur costs in one currency and make interest and principal payment with cash generated in another currency, our profit may be affected by changes in the exchange rates between different currencies. Exchange rate fluctuations can also affect the value of our equity investments and monetary assets and liabilities denominated in foreign currencies. See "Risk Factors – Risks Relating to Our Business and Industry – Our business is exposed to the risk of exchange rate and interest rate fluctuations."

Industry Competition

The polarizer industry is highly concentrated with LG, Nitto Denko and Sumitomo collectively accounting for more than 60% of the global market share in 2016, while BenQ Materials Corporation and we came in fourth and fifth, respectively. We face competition in respect of product quality, performance stability and durability, research and development capabilities, innovation and development time, pricing, product safety and credit terms. Some of our competitors may have greater capital and other resources, stronger market positions, better track records and larger as well as more established customer bases than we do. In addition, some of our competitors may offer similar products, or a broader product mix, at more competitive prices. There is no assurance that we will be able to compete successfully against our competitors in the future. Industry competition may affect the demand for our products. See "Risk Factors – Risks Relating to Our Business and Industry – We may experience intense competition and fail to compete effectively."

Revenue Concentration

We derive a significant portion of our net sales from our five largest customers. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, net sales from our five largest customers amounted to NT$13.8 billion, NT$10.9 billion, NT$8,789.2 million, NT$4,316.3 million and NT$3,710.5 million, respectively, accounting for 87.5%, 85.9%, 84.7%, 86.7% and 67.4% of our total net sales, respectively. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, net sales from our largest customer amounted to NT$5,321.9 million, NT$4,179.2 million, NT$3,500.6 million, NT$1,805.5 million and NT$1,508.0 million, respectively, accounting for 33.6%, 32.8%, 33.7%, 36.3% and 27.4% of our total net sales, respectively. We can give no guarantee that our largest customers will continue to engage us upon the expiration of our existing contracts with them. Moreover, we may be required to lower our prices or offer better terms to customers in order to compete effectively. Any failure to reduce our costs accordingly may place downward pressure on our profit margins. See "Risk Factors – Risks Relating to Our Business and Industry – We are dependent on a limited number of customers for a substantial portion of our sales."

PRC Government Policies

Our senior management is of the view that the polarizer market in China possesses unexploited potentials. Demand for polarizers and other upstream components is expected to rise in China as the local panel industry grows. In recent years, there have been significant developments in the markets and technologies for polarizers in China. These developments have been driven by favorable PRC government policies, such as the Thirteenth Five-Year Guideline (2016-2020), which promotes the development and expansion of the LCD industry in China, thereby boosting the development of the polarizer industry in China. In addition, since 2014, the PRC government has lifted tariffs on imported polarizers from 6% to 8% in order to protect China-based polarizer manufacturers. It is expected that demand for panels in China would remain strong in the near future. We believe that we will benefit from such favorable government policies as we have set our footprint in China since 2006. However, there is no assurance that there will not be any changes to these PRC government policies. Any such changes could adversely affect our sales of polarizers and have a negative impact on our results of operations. See "Risk Factors – Risks Relating to the PRC – We are subject to the political, economic and legal environments in the PRC."

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our significant accounting policies are set forth in notes 4 and 5 to our consolidated financial statements included elsewhere in this Offering Circular. Critical accounting policies, judgments and estimates are those that require management to exercise judgments, estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities, their accompanying disclosures and the disclosure of contingent liabilities. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. We believe that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated and unconsolidated financial statements.

Income Taxes

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Estimated Impairment of Accounts Receivable

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

Fair Value Measurements and Valuation Processes

If some of our assets and liabilities measured at fair value have no quoted prices in active markets for identical assets or liabilities, we determine whether to engage a third-party qualified appraiser and determine the appropriate valuation techniques for the fair value measurements.

Where such quoted prices in active markets for identical assets or liabilities are not available, we or the engaged appraiser would determine appropriate inputs by referring to market prices or rates and specific features of derivatives. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. We update inputs quarterly to confirm the appropriateness of the fair value measurement.

Useful Lives of Property, Plant and Equipment

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

Impairment of Property, Plant and Equipment

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

According to the contract for land-use rights of our Ningbo Plant, our 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 our production system in 2016, we might not meet all of such requirements. We 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$291.1 million in our operating costs for the year ended 31 December 2016.

Write-down of Inventory

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

Control over subsidiaries

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

DESCRIPTION OF SELECTED COMPONENTS OF RESULTS OF OPERATIONS

Our consolidated financial statements for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 set forth below are extracted from the financial statements attached hereto.

	Year ended 31 December				Six months ended 30 June		
	2014	2015	2016		2016	2017	
	NT$'000	*NT$'000*	*NT$'000*	*US$'000*	*NT$'000*	*NT$'000*	*US$'000*
		(audited)				*(unaudited)*	
Net sales………………………	15,818,286	12,747,295	10,374,172	341,480	4,978,123	5,504,982	181,204
Cost of sales ……………….…	(12,919,962)	(10,958,288)	(11,170,927)	(367,707)	(5,143,224)	(5,891,602)	(193,930)
Gross profit (loss) ………. ……	2,898,324	1,789,007	(796,755)	(26,227)	(165,101)	(386,620)	(12,726)
Total operating expenses ……..	(718,669)	(706,397)	(775,613)	(25,530)	(344,930)	(426,482)	(14,039)
Other operating income and expenses	–	–	(33,870)	(1,115)	(43,159)	–	–
Profit (Loss) from operations…	2,179,655	1,082,610	(1,606,238)	(52,872)	(553,190)	(813,102)	(26,765)
Total non-operating income and expenses…………………	493,198	283,976	62,767	2,067	(259,664)	(86,467)	(2,846)
Profit (Loss) before income …...	2,672,853	1,366,586	(1,543,471)	(50,805)	(812,854)	(899,569)	(29,611)
Income tax benefits (expenses)....	(433,220)	(319,427)	59,609	1,962	(39,542)	119,947	3,948
Net profit (loss) for the year/period …................. ……	2,239,633	1,047,159	(1,483,862)	(48,843)	(852,396)	(799,622)	(25,663)

Net Sales

We generate substantially all of our net sales from the manufacturing and sales of polarizers. For a breakdown of our net sales by product category, see "Business – Our Products." In recent years, the increase in demand for panels has boosted the increase in demand for polarizers. We expect to experience a similar trend going forward.

Cost of Sales

Our cost of sales consists principally of raw material costs, direct labor costs and manufacturing overhead. Raw material costs include the procurement of TAC, PET, COP and PVA for our polarizer production. Direct labor costs include wages and related benefits. Manufacturing overhead includes other indirect costs related to our polarizer production.

Gross Profit/Loss and Gross Profit/Loss Margin

Our gross profit decreased by 38.3% from NT$2,898.3 million for the year ended 31 December 2014 to NT$1,789.0 million for the year ended 31 December 2015. We recorded gross loss of NT$796.8 million for the year ended 31 December 2016, primarily due to: (i) the decrease in our net sales from NT$12.7 billion in 2015 to NT$10.4 billion in 2016 as a result of the decreases in both our polarizer sales volume and our unit price; and (ii) the increase in our raw material costs due to the fluctuations in Japanese Yen. Our gross loss substantially increased from NT$165.1 million for the six months ended 30 June 2016 to NT$386.6 million for the six months ended 30 June 2017, primarily due to the write-down of inventories and the increase in the expenses in relation to the expanded operations of our Kunshan plant. Our gross profit margin also decreased from 18.3% for the year ended 31 December 2014 to 14.0% for the year ended 31 December 2015. We recorded gross loss margin of 7.7%, 3.3% and 7.0% for the year ended 31 December 2016 and the six months ended 30 June 2016 and 2017.

Total Operating Expenses

Our total operating expenses consist of selling and marketing expenses, general and administrative expenses and research and development expenses.

Other Operating Income and Expenses

Our other operating income and expenses principally consist of losses from natural disasters.

Income Tax Expenses/Benefits

Our income tax expenses decreased by 26.3% from NT$433.2 million for the year ended 31 December 2014 to NT$319.4 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in profit before tax from NT$2,672.9 million in 2014 to NT$1,366.6 million in 2015. Our income tax benefits amounted to NT$59.6 million for the year ended 31 December 2016 mainly because we recorded net loss in 2016. Our income tax expenses amounted to NT$39.5 million for the six months ended 30 June 2016 because of income tax on unappropriated earnings. And our income tax benefits amounted to NT$119.9 million for the six months ended 30 June 2017 primarily because of the reversal of deferred tax liabilities.

Net Profit/Loss and Net Profit/Loss Margin

Our net profit for the period decreased by 53.2% from NT$2,239.6 million for the year ended 31 December 2014 to NT$1,047.2 million for the year ended 31 December 2015. We recorded net loss of NT$1,483.9 million for the year ended 31 December 2016, primarily due to the decrease in our net sales from NT$12.7 billion in 2015 to NT$10.4 billion in 2016 as a result of the decreases in both our polarizer sales volume and our unit price. Our net loss decreased from NT$852.4 million for the six months ended 30 June 2016 to NT$779.6 million for the six months ended 30 June 2017, primarily due to the decrease in the net loss on foreign currency exchange. Our net profit margin decreased from 14.2% for the year ended 31 December 2014 to 8.2% for the year ended 31 December 2015. We recorded net loss margin of 14.3%, 17.1% and 14.2% for the year ended 31 December 2016 and the six months ended 30 June 2016 and 2017, respectively.

PERIOD TO PERIOD COMPARISON

Six Months Ended 30 June 2017 Compared with Six Months Ended 30 June 2016

Net sales

Our net sales increased by 10.6% from NT$4,978.1 million for the six months ended 30 June 2016 to NT$5,505.0 million for the six months ended 30 June 2017. The increase was attributable to the increase in the sales of chemicals and polarizer rolls, partly offset by the decrease in the sales of polarizers.

Cost of sales

Our cost of sales increased by 14.6% from NT$5,143.2 million for the six months ended 30 June 2016 to NT$5,891.6 million for the six months ended 30 June 2017. The increase was primarily attributable to the write-down of inventories.

Gross loss and gross loss margin

Our gross loss significantly increased from NT$165.1 million for the six months ended 30 June 2016 to NT$386.6 million for the six months ended 30 June 2017, primarily due to the write-down of inventories and the increase in the expenses in relation to the expanded operations of our Kunshan plant. Our gross loss margin increased from 3.3% for the six months ended 30 June 2016 to 7.0% for the six months ended 30 June 2017. The increase in our gross loss margin was in line with the increase in our gross loss.

Total operating expenses

Our total operating expenses increased by 23.6% from NT$344,9 million for the six months ended 30 June 2016 to NT$426.5 million for the six months ended 30 June 2017. The increase was attributable to the increase in the expenses in relation to the expanded operations of our Kunshan plant and the equipment maintenance of our plants in Taiwan.

Net loss for the period

As a result of the foregoing, our net loss for the period decreased by 8.5% from NT$852.4 million for the six months ended 30 June 2016 to NT$779.6 million for the six months ended 30 June 2017. Our net loss margin decreased from 17.1% for the six months ended 30 June 2016 to 14.2% for the six months ended 30 June 2017.

Year Ended 31 December 2016 Compared with Year Ended 31 December 2015

Net sales

Our net sales decreased by 18.6% from NT$12.7 billion for the year ended 31 December 2015 to NT$10.4 billion for the year ended 31 December 2016. The decrease was primarily attributable to the decreases in both our polarizer sales volume and our unit price as a result of the decreasing demand for polarizers in the market.

Cost of sales

Our cost of sales increased by 1.9% from NT$11.0 billion for the year ended 31 December 2015 to NT$11.2 billion for the year ended 31 December 2016. This was primarily due to the impairment loss of NT$291.1 million in 2016 related to the land-use rights of our Ningbo Plant, which was recognized as our cost of sales in 2016.

Gross profit/loss and gross profit/loss margin

Our gross profit was NT$1,789.0 million for the year ended 31 December 2015. We recorded gross loss of NT$796.8 million for the year ended 31 December 2016, primarily due to the decrease in net sales. Our gross profit margin was 14.0% for the year ended 31 December 2015. We recorded gross loss margin of 7.7% for the year ended 31 December 2016.

Total operating expenses

Our total operating expenses increased by 9.8% from NT$706.4 million for the year ended 31 December 2015 to NT$775.6 million for the year ended 31 December 2016. The increase was attributable to the increase in research and development expenses from NT$277.1 million in 2015 to NT$338.7 million in 2016 and the increase in general and administrative expenses from NT$179.0 million in 2015 to NT$206.7 million in 2016.

Other operating income and expenses

We did not have any other operating income and expenses for the year ended 31 December 2015. For the year ended 31 December 2016, we recorded other operating expenses of NT$33.9 million, primarily due to losses caused by the magnitude 6.4 earthquake in Taiwan in February 2016.

Net profit/loss for the year

As a result of the foregoing, our net profit was NT$1,047.2 million for the year ended 31 December 2015. We recorded a net loss amounting to NT$1,483.9 million for the year ended 31 December 2016. Our net profit margin was 8.2% for the year ended 31 December 2015. We recorded net loss margin of 14.3% for the year ended 31 December 2016.

Year Ended 31 December 2015 Compared with Year Ended 31 December 2014

Net sales

Our net sales decreased by 19.4% from NT$15.8 billion for the year ended 31 December 2014 to NT$12.7 billion for the year ended 31 December 2015. The decrease was primarily attributable to the decreases in both our polarizer sales volume and our unit price as a result of the decreasing demand for polarizers in the market.

Cost of sales

Our cost of sales decreased by 15.2% from NT$12.9 billion for the year ended 31 December 2014 to NT$11.0 billion for the year ended 31 December 2015. This was in line with the decrease in net sales as a result of the decreasing demand for polarizers in the market.

Gross profit and gross profit margin

Our gross profit decreased by 38.3% from NT$2,898.3 million for the year ended 31 December 2014 to NT$1,789.0 million for the year ended 31 December 2015, primarily due to the decrease in our net sales from NT$15.8 billion in 2014 to NT$12.7 billion in 2015. Our gross profit margin decreased from 18.3% for the year ended 31 December 2014 to 14.0% for the year ended 31 December 2015. The decrease in our gross profit margin was in line with the decrease in our gross profit.

Total operating expenses

Our total operating expenses decreased by 1.7% from NT$718.7 million for the year ended 31 December 2014 to NT$706.4 million for the year ended 31 December 2015. The decrease was attributable to the decrease in research and development expenses from NT$329.4 million in 2014 to NT$277.1 million in 2015 due to the restructure of our research and development department in 2015, partially offset by the increase in selling and marketing expenses from NT$210.2 million in 2014 to NT$250.3 million in 2015.

Other operating income and expenses

We did not record any other operating income and expenses for the years ended 31 December 2014 and 2015.

Net profit for the year

As a result of the foregoing, our net profit for the year decreased by 53.2% from NT$2,239.6 million for the year ended 31 December 2014 to NT$1,047.2 million for the year ended 31 December 2015. Our net profit margin decreased from 14.2% for the year ended 31 December 2014 to 8.2% for the year ended 31 December 2015.

LIQUIDITY AND CAPITAL RESOURCES

We finance our operations principally through cash generated from operating activities and bank loans. As of 31 December 2014, 2015 and 2016 and 30 June 2016 and 2017, our cash and cash equivalents amounted to NT$3,923.6 million, NT$2,932.1 million, NT$4,341.5 million, NT$3,828.3 million and NT$2,712.3 million, respectively.

We monitor our cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet our working capital needs while supporting a healthy level of business and our various growth strategies.

Cash Flow

The following table sets forth a selected summary of our consolidated cash flow statements for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	NT$ million	*NT$ million*	*NT$ million*	*NT$ million*	*NT$ million*
		(audited)		*(unaudited)*	
Cash and cash equivalents at the beginning of the year/period	1,732.6	3,923.6	2,932.1	2,932.1	4,341.5
Net cash generated from/(used in) operating activities	2,956.8	3,185.9	(1,029.1)	121.5	(1,476.7)
Net cash generated from/(used in) investing activities	(499.5)	(2,791.0)	(2,698.2)	(1,025.9)	(1,221.6)
Net cash generated from/(used in) financing activities	(399.6)	(1,333.2)	5,154.2	1,789.4	1,064.5
Net increase/(decrease) in cash and cash equivalents	2,191.0	(991.5)	1,409.4	896.1	(1,629.3)
Cash and cash equivalents at the end of the year/period	3,923.6	2,932.1	4,341.5	3,828.3	2,712.3

Net cash generated from/used in operating activities

Cash flow from operating activities reflect profits for the year adjusted for non-cash items, such as depreciation and amortization, and the effects of changes in working capital, such as increases or decreases in inventories, accounts and other receivables and accounts and other payables.

For the six months ended 30 June 2017, we had net cash outflow of NT$1,476.7 million, primarily as a result of: (i) loss before tax in the amount of NT$899.6 million; (ii) the increase in inventories of NT$636.3 million attributable to the procurement of our raw materials for Kunshan plant; (iii) the decrease in accounts payable of NT$543.1 million due to the payment to our suppliers; and (iv) the increase in accounts receivable of NT$323.2 million attributable to the increased sales of Kunshan plant, partially offset by the depreciation expenses of NT$428.6 million in relation to our property, plant and equipment.

For the year ended 31 December 2016, we had net cash outflow of NT$1,029.1 million, primarily as a result of loss before tax in the amount of NT$1,543.5 million, adjusted for the net gain on foreign currency exchange of NT$530.6 million attributable to the exchange rate fluctuations, primarily between the US Dollar and the NT Dollar as well as between Japanese Yen and NT Dollar, partially offset by: (i) the depreciation expenses of NT$829.7 million in relation to our property, plant and equipment; and (ii) the decrease in accounts receivable of NT$558.0 million attributable to the decrease in sales.

For the year ended 31 December 2015, we had net cash inflow of NT$3,185.9 million, primarily as a result of profit before tax in the amount of NT$1,366.6 million, adjusted for: (i) the decrease in accounts receivable of NT$1,156.9 million attributable to the decrease in sales; and (ii) the depreciation expenses of NT$1,060.4 million in relation to our property, plant and equipment, partially offset by: (i) the decrease in provisions of NT$327.7 million; and (ii) the reversal of write-down of inventories of NT$267.2 million.

For the year ended 31 December 2014, we had net cash inflow of NT$2,956.8 million, primarily as a result of profit before tax in the amount of NT$2,672.9 million, adjusted for: (i) the depreciation expenses of NT$1,030.1 million in relation to our property, plant and equipment; (ii) the recognition of provisions of NT$764.4 million in relation to customers returns and rebates; and (iii) the decrease in accounts receivable of NT$389.0 million, partially offset by: (i) the decrease in provisions of NT$762.7 million as a result of usage of customer rebates; and (ii) the increase in inventories of NT$503.0 million attributable to the demand from our customers.

Net cash generated from/used in investing activities

Our cash generated from investing activities mainly include: (i) the proceeds from sale of available-for-sale financial assets; (ii) the decrease in other financial assets; and (iii) the proceeds from sale of financial assets designated at fair value through profit and loss. Our cash used in investing activities is primarily for: (i) the payments for property, plant and equipment; (ii) the purchases of available-for-sale financial assets; (iii) the purchases of financial assets designated at fair value through profit and loss; (iv) the increase in other financial assets; and (v) the increase in prepayments for equipment.

For the six months ended 30 June 2017, our net cash outflow from investing activities was NT$1,221.6 million. Our net cash outflow from investing activities primarily consisted of: (i) the purchase of financial assets designated as at fair value through profit or loss of NT$1,884.1 million related to the financial products purchased by Kunshan Chimei Materials Technology Corporation; and (ii) the payments for property, plant and equipment of NT$1,322.2 million for the construction of our Kunshan plant, partially offset by the proceeds from sale of financial assets designated as at fair value through profit or loss of NT$2,056.4 million related to the disposal of the financial products by Kunshan Chimei Materials Technology Corporation.

For the year ended 31 December 2016, our net cash outflow from investing activities was NT$2,698.2 million. Our net cash outflow from investing activities primarily consisted of: (i) the payments of property, plant and equipment of NT$3,286.0 million for the construction of our Kunshan plant; (ii) the purchases of available-for-sale financial assets of NT$1,889.2 million related to mutual funds purchased by Ningbo Chi Mei Materials Technology Corporation Limited; and (iii) the purchases of financial assets designated at fair value through profit or loss of NT$1,846.8 million related to certain structured deposits by Ningbo Chi Mei Materials Technology Corporation Limited and Kunshan Chimei Materials Technology Corporation, partially offset by: (i) the proceeds from sale of available-for-sale financial assets of NT$2,086.0 million related to mutual funds purchased by Ningbo Chi Mei Materials Technology Corporation Limited and Kunshan Chimei Materials Technology Corporation; (ii) the decrease in other financial assets of NT$869.6 million related to time deposits purchased by Ningbo Chi Mei Materials Technology Corporation Limited and Kunshan Chimei Materials Technology Corporation; and (iii) the proceeds from sale of financial assets designated at fair value through profit or loss of NT$1,686.0 million.

For the year ended 31 December 2015, our net cash outflow from investing activities was NT$2,791.0 million. Out net cash outflow from investing activities primarily consisted of: (i) the payments of property, plant and equipment of NT$1,072.9 million for the construction of our Kunshan plant; (ii) the increase in other financial assets of NT$855.6 million related to time deposits purchased by Ningbo Chi Mei Materials Technology Corporation Limited and Kunshan Chimei Materials Technology Corporation; and (iii) the increase in prepayments for equipment of NT$535.3 million.

For the year ended 31 December 2014, our net cash outflow from investing activities was NT$499.5 million. Out net cash outflow from investing activities primarily consisted of: (i) the increase in prepayments for equipment of NT$372.5 million; and (ii) the payments of property, plant and equipment of NT$310.6 million, partially offset by the decrease in other financial assets of NT$173.5 million.

Net cash generated from/used in financing activities

Our cash generated from financing activities mainly include the proceeds from long-term and short-term bank loans and changes in non-controlling interests. Our cash used in financing activities is primarily for the cash dividends paid and the repayments of short-term bank loans.

For the six months ended 30 June 2017, our net cash inflow from financing activities was NT$1,064.5 million, primarily consisted of: (i) the proceeds from long-term bank loans of NT$1,192.4 million attributable to the syndicated loan for the construction of Kunshan plant; and (ii) the proceeds from short-term bills payable of NT$100.0 million, partially offset by the repayments of short-term bank loans of NT$227.9 million.

For the year ended 31 December 2016, our net cash inflow from financing activities was NT$5,154.2 million, primarily consisted of: (i) changes in non-controlling interests of NT$2,234.6 million attributable to the cash capital increase from one of the shareholders of Kunshan Chimei Materials Technology Corporation; (ii) the proceeds from short-term bank loans of NT$1,832.3 million attributable to the procurement of our raw materials; and (iii) the proceeds from long-term bank loans of NT$1,345.2 million attributable to the syndicated loan with Kunshan Chimei Materials Technology Corporation, partially offset by the cash dividends of NT$257.9 million paid.

For the year ended 31 December 2015, our net cash outflow from financing activities was NT$1,333.2 million, primarily consisted of: (i) the cash dividends of NT$1,289.3 million paid; and (ii) repayments of short-term bills payable of NT$300.0 million, partially offset by the proceeds from short-term bank loans of NT$155.7 million.

For the year ended 31 December 2014, our net cash outflow from financing activities was NT$399.6 million, primarily consisted of: (i) the repayment of short-term bank loans of NT$454.0 million; and (ii) issue of cash dividends from capital surplus of NT$196.5 million, partially offset by the proceeds from short-term bills payables of NT$300.0 million.

Working Capital

Working capital is critical to our financial performance, and we must maintain sufficient liquidity and financial flexibility to continue our daily operations.

Our current assets primarily consist of cash and cash equivalents, accounts receivable and inventories. Our current liabilities primarily consist of short-term bank loans, accounts payable and current-portion of long-term bank loans. As of 31 December 2014, 2015 and 2016 and 30 June 2017, we had net current assets of NT$6,173.8 million, NT$5,267.1 million, NT$2,956.2 million and NT$225.7 million, respectively.

Careful management of working capital is an important part of our operations. Short-term bank loans and current portion of long-term bank loans will continue to require significant amounts of working capital, particularly if our business operations continue to expand. We manage our working capital by closely monitoring the level of bank loans as well as cash and cash equivalents. We also intend to optimize our profitability by improving our operating cash flow.

INDEBTEDNESS

Loans and Contractual Obligations

The following table sets forth our obligations and commitments as of the dates indicated:

	As of 31 December			As of 30 June		
	2014	2015	2016	2016	2017	
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*US$'000*
Short-term bank loans						
Unsecured line of credit loans.........	883,732	985,430	1,687,663	678,853	2,175,672	71,615
Unsecured letter of credit loans.......	691,998	632,917	1,181,622	628,035	897,614	29,546
Unsecured OA (open account) foreign currency loans.................	–	150,795	582,341	90,737	258,045	8,494
Subtotal	1,575,730	1,769,142	3,451,626	1,397,625	3,331,331	109,655
Current portion of long-term bank loans	–	–	1,345,181	–	2,537,562	83,527
Short-term bills payable	300,000	–	–	–	100,000	3,292
Total	**1,875,730**	**1,769,142**	**4,796,807**	**1,397,625**	**5,968,893**	**196,474**

As of 30 June 2017, we had banking facilities of NT$35.1 billion made available to us, of which NT$14.3 billion was utilized. Our bank loans are denominated in NT Dollars, Japanese Yen and US Dollars. We pledge property, plant and equipment as collateral in certain secured bank loans. Some of our secured bank loans contain restrictive covenants that require us to use the proceeds of such bank loans only to fund our capital expenditure in the loan documents. As of 31 December 2014, 2015 and 2016 and 30 June 2017, the interest rates of our short-term bank loans ranged from 0.76% to 2.50%, 0.52% to 2.06%, 0.56% to 1.98% and 0.60% to 4.79%, respectively. The interest rate of our long-term bank loans as of 30 June 2017 was 3.20%.

Our bank loans as of 30 June 2017 related primarily to our business operations for the procurement of our raw materials and the construction of our Kunshan plant.

Capital Expenditure

We make significant capital expenditures in connection with technological upgrade and expansion of our production capacity. Substantially all of our capital expenditures relate to facilities located in Taiwan and China. The following table sets forth our capital expenditures for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Payment for property, plant and equipment	310,607	1,072,938	3,285,992	831,556	1,322,217
Total capital expenditures	**310,607**	**1,072,938**	**3,285,992**	**831,556**	**1,322,217**

In our capital expenditure plan for the years ending 31 December 2017 and 31 December 2018, we intend to spend NT$223.9 million and NT$175.9 million, respectively, towards purchase of equipment. We anticipate that we will finance our capital expenditures using cash generated from our operating activities and bank loans, proceeds from this offering and other funds raised from capital markets from time to time, as and when necessary and appropriate. Our current plan in respect of future capital expenditure is subject to changes based on the evolution of our business plan, including potential acquisitions, the progress of our capital projects, market conditions and our outlook of future business conditions. We cannot assure you that we will be able to raise additional capital should it become necessary or on terms acceptable to us, or at all. See "Risk Factors – Risks Relating to Our Business and Industry – We require a significant amount of capital to fund necessary upgrade and expansion of our production plants."

Contingent Liabilities

As of 30 June 2017, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in any material legal proceedings, loss contingencies would be recorded when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

RELATED PARTY TRANSACTIONS

We may from time to time engage in transactions with companies whose management members are partially the same as ours. Please see the section headed "Related Party Transactions" for more information.

OFF-BALANCE SHEET ARRANGEMENT

As of 30 June 2017, we have not entered into any off-balance sheet transaction.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

The main risks arising from our financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. To analyze and monitor exposures to these risks, we have adopted a comprehensive risk management and control system to identify potential risks. Furthermore, our senior management meets regularly to assess and adjust risk exposures based on our operating needs and changing market conditions.

Foreign Currency Risk

We are exposed to foreign currency risk as we have foreign currency sales and purchases. Approximately 77% of the sales were denominated in currencies other than the functional currency of the relevant entity making the sale, while almost 83% of the costs were denominated in the relevant entity's functional currency. We manage our exposure to foreign currency risk by utilizing forward foreign exchange contracts.

Interest Rate Risk

We are exposed to interest rates for both derivative and non-derivative instruments. Our exposure to interest rate risk relates to our bank loans at both fixed and floating interest rates. We evaluate hedging activities regularly to align with interest rate views and a defined risk appetite, ensuring that the most cost-effective hedging strategies are applied.

Credit Risk

Our maximum exposure to credit risk may arise from the carrying amount of the respective recognized financial assets. We have adopted a policy of only dealing with creditworthy third parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. We evaluate information related to credit ratings of third parties supplied by independent rating agencies where available and, if unavailable, other publicly available financial information and our own trading records to rate our major customers. Our exposure and the credit ratings of these third parties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved third parties. Credit exposure is controlled by third party limits that are reviewed and approved by us annually.

We perform ongoing credit evaluation on the financial condition of our accounts receivable, and we purchase credit guarantee insurance where appropriate.

Liquidity Risk

We manage liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. In addition, our senior management monitors the utilization of our bank loans and ensures compliance with loan covenants.

The following table sets forth the maturity profile of our financial liabilities as of the dates indicated, based on the undiscounted cash flows of financial liabilities from the earliest date on which we can be required to pay:

	On demand or less than six months	**Six months to one year**	**One to five years**
	NT$'000	*NT$'000*	*NT$'000*
As of 31 December 2014			
Non-interest bearing	1,735,382	230	6,728
Variable interest rate liabilities	727,942	155,790	–
Fixed interest rate liabilities	991,998	–	–
	3,455,322	**156,020**	**6,728**
As of 31 December 2015			
Non-interest bearing	2,130,062	632	6,728
Variable interest rate liabilities	–	324,356	–
Fixed interest rate liabilities	1,444,786	–	–
	3,574,848	**324,988**	**6,728**
As of 31 December 2016			
Non-interest bearing	2,161,889	3,764	2,978
Variable interest rate liabilities	151,037	1,345,181	–
Fixed interest rate liabilities	3,298,360	2,229	–
	5,611,286	**1,351,174**	**2,978**
As of 30 June 2017			
Non-interest bearing	2,812,459	8,954	1,086
Variable interest rate liabilities	538,857	2,577,068	–
Fixed interest rate liabilities	2,332,334	525,656	–
	5,683,650	**3,111,678**	**1,068**

NO MATERIAL ADVERSE CHANGE

Save as described above, there has been no significant changes in our financial condition and results of operations since 31 December 2016, being the date to which our latest audited financial results were prepared.

BUSINESS

OVERVIEW

We are one of the leading polarizer manufacturers in the world. We manufacture polarizers of various sizes ranging from seven to 65 inches and supply primarily to LCD manufacturers in Taiwan and internationally. Our polarizers can be applied in a wide spectrum of electronic devices, including PC monitors, TVs, laptops, PDAs, mobile phones, digital cameras, digital photo frames and GPS.

We have extensive experience in the design and development of manufacturing processes and mass production. In an effort to improve our production efficiency, we have been actively participating in the front-end of manufacturing processes, such as the design and development of manufacturing equipment. Our research and development efforts are evidenced by the development of our cutting-edge products, such as IPS polarizers, EWV polarizers and UV-curing type OCA.

We possess the requisite expertise and experience in upstream and downstream businesses, enabling us to work closely with our suppliers and customers with respect to product design and development. In doing so, we are able to offer polarizers of various specifications that are closely tailored to customer needs. Furthermore, we possess extensive experience with respect to putting prototype and design into mass production quickly.

We first set out footprint in China in 2006 when we commenced the construction of our Ningbo plant in Zhejiang province. Our continued commitment to the Chinese market is evidenced by our second production plant, the Kunshan plant, in Jiangsu province. With a view to expand our footprint in China, we commenced construction of our Kunshan plant in 2014 and expect mass production in the third quarter of 2017, which we believe will effectively increase our overall production capacity. We believe that our production plants in China optimally enable us to supply our wide range of polarizers to existing and potential customers in China.

We are led by a dedicated and capable senior management team possessing extensive experience in the polarizer industry. Mr. Jau-Yang Ho, our chairman and general manager, has approximately more than 20 years of experience in managing the production of polarizers and related businesses. Mr. Wang-Yang Li also serves as our director of research and development. We believe that the industry expertise, field operating experience and entrepreneurial spirit of our senior management team have provided us with significant competitive advantages in the market.

Our net sales decreased from NT$15.8 billion for the year ended 31 December 2014 to NT$12.7 billion for the year ended 31 December 2015 and further to NT$10.4 billion for the year ended 31 December 2016 due to the decreases in both our polarizer sales volume and our unit price as a result of the decreasing demand for polarizers in the market. Our net sales also increased from NT$4,978.1 million for the six months ended 30 June 2016 to NT$5,505.0 million for the six months ended 30 June 2017. Our net profit decreased from NT$2,239.6 million for the year ended 31 December 2014 to NT$1,047.2 million for the year ended 31 December 2015. We recorded net loss of NT$1,483.9 million, NT$852.4 million and NT$779.6 million for the year ended 31 December 2016 and the six months ended 30 June 2016 and 2017.

OUR COMPETITIVE STRENGTHS

We believe that the following principal strengths have contributed to our historical success and distinguished us from our competitors:

Our strong research and development capabilities enable us to achieve robust manufacturing excellence and product quality.

Production technologies are crucial to polarizer manufacturing as they affect production efficiency and product quality. We have extensive experience in the design and development of manufacturing processes and mass production. Our research and development capabilities have enabled us to achieve manufacturing excellence through our proprietary production technologies and manufacturing know-how. Specifically, in an effort to improve our production efficiency, we have been actively participating in the front-end of manufacturing processes, such as the design and development of manufacturing equipment. This has enabled us to closely tailor our needs to the manufacturing processes.

Our research and development efforts are also evidenced by our cutting-edge products that are applied in a variety of electronics, including LCD panels and small electronic handheld devices. Our recent products from our research and development efforts include IPS polarizers, EWV polarizers and UV-curing type OCA. See "– Research and Development" for more information. As of 30 June 2017, we had 20 patents in Taiwan, eight patents in China, eight patents in the U.S. and four patents in Japan. As of the same date, we had two patent applications in Taiwan, four patent applications in China, three patent applications in the European Union, three patent applications in Korea and one patent application in Japan. We also have registered two trademarks in Taiwan and one trademark in China as of 30 June 2017.

Our research and development team consisted of 120 members as of 30 June 2017. Our research and development team is led by Mr. Li, our director of research and development, who possesses more than 15 years of experience in the polarizer industry. Under the leadership of Mr. Li, we believe that our research and development team will allow us to maintain our leading position in the global competition.

We integrate and manufacture quality polarizers of various specifications that are closely tailored to meet customer needs.

Polarizers are one of the key upstream components for the production of various panels. The performance and specifications of polarizers are fundamental to the relevant quality and function of panels. During the initial stage of designing and developing polarizers, we are able to integrate and provide products to meet the requirements of our panel manufacturer customers. We possess the requisite expertise and experience in upstream and downstream businesses, enabling us to work closely with our suppliers and customers with respect to product design and development. In doing so, we are able to offer polarizers of various specifications that are closely tailored to customer needs. Furthermore, we possess extensive experience with respect to putting prototype and design into mass production quickly, which usually takes about six months. By working closely with our customers, we are able to effectively accelerate the development and launch of new products. This has enabled us and our customers to mutually benefit from our business relationships.

We are able to leverage our production plants in China to capture new business opportunities.

The polarizer market in China possesses unexploited potentials. Flat panel manufacturers in China have raised their production throughout the years and are expected to continue to do so in the future. We first set out footprint in China in 2006 when we commenced the construction of our Ningbo plant in Zhejiang province. Our continued commitment to the Chinese market is evidenced by our second production plant, the Kunshan plant, in Jiangsu province. With a view to expand our footprint in China, we commenced construction of our Kunshan plant in 2014 and expect mass production in the third quarter of 2017, which we believe will effectively increase our overall production capacity. We believe that both production plants enjoy the advantage of geographic proximity as they allow us to provide readily available solutions to existing and potential customers in China. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, net sales in China amounted to NT$9,930.1 million, NT$8,004.6 million, NT$6,498.6 million, NT$2,981.5 million and NT$3,847.8 million, respectively, accounting for 62.8%, 62.8%, 62.6%, 59.9% and 69.9% of our total net sales, respectively. In addition, our production plants in China optimally enable us to supply our wide range of polarizers to customers in the surrounding provinces and regions. Furthermore, the advantage of geographic proximity enables the timely and cost-efficient transportation of our products to customers.

Our dedicated and experienced senior management team enables the successful development of our business.

We are led by a dedicated and capable senior management team possessing extensive experience in the polarizer industry. Mr. Ho, our chairman and general manager, has approximately more than 20 years of experience in managing the production of polarizers and related businesses. Mr. Ho leads our senior management team and develops our business strategies in response to new market trends. Mr. Li serves as our director of research and development. With his in-depth knowledge and experience in the polarizer industry, Mr. Li leads us in the research and development of polarizer manufacturing and product design. Prior to joining us, Mr. Ho was the vice president of Chimei Optoelectronics Corporation as well as the general manager of Chi Mei Corporation. Mr. Li was the director of Chimei Optoelectronics Corporation. Mr. Ho possesses educational background in chemical engineering. We believe that the industry expertise, field operating experience and entrepreneurial spirit of our senior management team have provided us with significant competitive advantages in the market. We further believe that we have the leadership we need to continue to leverage our core strengths in the future.

OUR BUSINESS STRATEGIES

In order to further develop and expand our business, we aim to:

Continue to invest in research and development efforts

We believe that our success depends, to a great extent, upon our continued ability to design and develop innovative manufacturing processes for our polarizer production. To date, we have been able to achieve technological improvements in optimizing product quality and developing new products. We intend to further enhance the optical properties of polarizers to be used in LCDs and develop new material applications. Specifically, we will invest our research and development efforts in enhancing the performance and additional features of our polarizers, thereby producing environmentally friendly and energy saving products. We will focus on optimizing the performance of our large-sized polarizers for TFT-LCD (thin film transistor-LCD) panels as well as medium- to small-sized polarizers for electronic handheld devices. In addition, we will also develop products for optical film applications, optimizing light and advancing the performance of LCD displays.

Furthermore, we aim to actively recruit and cultivate qualified research and development personnel in an effort to expand our technical fields, thereby accelerating our product development lifecycle. We estimate that our research and development expenses for the years ending 31 December 2017 and 2018 will account for approximately 3.3% and 3.4% of our total cost of sales, respectively.

Expand our sales and marketing network in China

To expand our customer base and to better serve our existing customers, we will continue to expand our sales and marketing network in China. We believe that this can effectively broaden our reach to potential customers and enhance communications with existing customers, thereby increasing the demand for our products in China. We will continue to further enhance our competitive advantages as a leading player in the polarizer industry by leveraging existing business relationships with our customers and exploring new business opportunities with potential customers so as to further expand our business network in China. To this extent, we will continue to reinforce our sales efforts in China and ensure that we have sufficient resources in China to implement our sales and marketing strategies. Specifically, we intend to develop products in line with the PRC market that are closely tailored to customer needs, with an aim to receive purchase orders from major PRC panel manufactures. We plan to continue locating potential strategic partners for long-term cooperation in the future. As we continue to expand, we believe that our track record of success and strong relationships with customers and strategic partners in China will be exceedingly valuable.

Further increase our production capacity and production efficiency

We believe that increasing our production capacity will allow us to quickly respond to market changes. The global digital revolution has led to the increasing demand for our products from our customers such as panel manufacturers. We believe that, with sufficient production capacity, we will be able to take advantage of economies of scale and compete on price successfully. To meet the increasing demand, we plan to increase our production capacity through the addition of production lines in our production plants as we see fit. As of 30 June 2017, we had no definitive ramp-up plan.

Furthermore, we will continue to improve operational efficiency and modify our techniques for better production efficiency, lower production cost and higher customer satisfaction. Specifically, we plan to further enhance automation of our manufacturing processes to reduce labor costs and increase product precision. Through automated communication and information exchanges, we will be able to link market information to our own production and procurement planning, thereby effectively controlling the inventory of our raw materials, works-in-progress and finished products, reducing operating costs and enhancing our profitability. We believe that our efforts in optimization and automation of our manufacturing processes will enable us to remain competitive.

Expand through potential strategic transaction opportunities

In an effort to enhance the depth of our production technologies and provide customers with total technology solutions, we intend to identify potential strategic transaction opportunities in the polarizer industry and related businesses, such as raw material suppliers. Strategic transaction opportunities may include a variety of different business arrangements, including acquisitions, partnerships and joint ventures.

We will consider and balance assessment criteria, including the following factors, in order to pursue strategic transaction opportunities prudently with a view to further grow our business and maximize our returns:

- existing customer relationships;
- design, research and development, manufacturing and service capabilities,
- compliance with applicable laws and regulations, including having obtained and maintained all relevant permits, licenses and certificates;
- stringent implementation of safety measures and quality assurances;
- relevant costs and estimated returns on investments;
- proven track record;
- financial performance and future growth potential;
- potential synergies that can be achieved through the strategic transaction opportunity; and
- our ability to finance such transaction opportunity.

We believe that favorable strategic transaction opportunities will enable us to enhance the integration of our business operations. Save as disclosed in "Summary – Recent Developments," we have not entered into any definite agreement with respect to any such potential strategic transaction opportunities as of the date of this Offering Circular.

OUR PRODUCTS

We manufacture polarizers of various sizes ranging from seven to 65 inches and supply primarily to panel manufacturers in Taiwan and internationally. Our polarizers can be applied in a wide spectrum of electronic devices, including PC monitors, TVs, laptops, PDAs, mobile phones, digital cameras, digital photo frames and GPS. Polarizers are glass substrates on which a special optical coating is applied. Utilizing chemical and optical technologies, polarizers are able to let light waves of a specific polarization pass while blocking light waves of other polarizations. Polarizers are used for a range of industrial, imaging and laboratory applications. The following table sets forth a breakdown of our net sales by product for the periods indicated:

	Years ended 31 December						**Six months ended 30 June**			
	2014		**2015**		**2016**		**2016**		**2017**	
	NT$ million	%	*NT$ million*	%	*NT$ million*	%	*NT$ million*	%	*NT$ million*	%
Polarizers	15,127.0	95.6	11,536.8	90.5	9,703.4	93.5	4,684.1	94.1	4,302.3	78.1
Polarizer rolls	648.6	4.1	1,194.5	9.4	518.9	5.0	256.5	5.2	362.3	6.6
Chemicals	42.7	0.3	16.0	0.1	151.9	1.5	37.5	0.7	840.4	15.3
Total	**15,818.3**	**100.0**	**12,747.3**	**100.0**	**10,374.2**	**100.0**	**4,978.1**	**100.0**	**5,505.0**	**100.0**

- **Polarizers.** Our polarizers are primarily designed to linearly polarize incoming light, causing the electric field component to displace such that it oscillates in only one plane with respect to the direction of propagation. We primarily sell linear polarizers that come in different sizes for the downstream application in LCD panels, which use a top polarizing film to polarize light as it enters and a rear polarizing film to block or pass light, allowing light to pass through in varying amounts and constituting different grayscales and definitions. Utilizing this technology, TFT-LCD panels, equipped with polarizers transmitting light in the modules, can be used in mobile gadgets, laptops, display monitors and televisions.

- **Polarizer rolls.** As some of our customers possess the requisite cutting and processing equipment, they may choose to purchase polarizer rolls from us and perform in-house cutting and processing instead.

- **Chemicals.** In addition to polarizers, we also sell chemicals such as ion exchange membranes.

PRODUCTION PLANTS, PRODUCTION CAPACITY AND EQUIPMENT

Production Plants and Production Capacity

We conduct our production operations at our production plants located in Taiwan and China. We currently have two production plants in Taiwan and two production plants in China. We conduct polarizer manufacturing at our production plants in Taiwan, and we ship the polarizer rolls to our Ningbo plant, which was constructed in 2006 and commenced mass production in 2007, for further cutting, processing and packaging. In an effort to meet rising demand in China, we commenced the construction of Kunshan plant in Jiangsu province in 2014, which is our second production plant in China. The Kunshan plant consists of two production lines for the manufacturing of our polarizers. We expect to commence mass production in the third quarter of 2017, which we believe will effectively increase our overall production capacity.

The table below sets forth details of our polarizer production for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
Production capacity (thousand units)…………….………	20,105	23,270	23,270	11,635	13,089
Production volume (thousand units)………………….….	18,074	20,357	15,704	7,508	9,530
Utilization rate (%)…………………………….…………	89.9	87.5	67.5	64.5	72.8

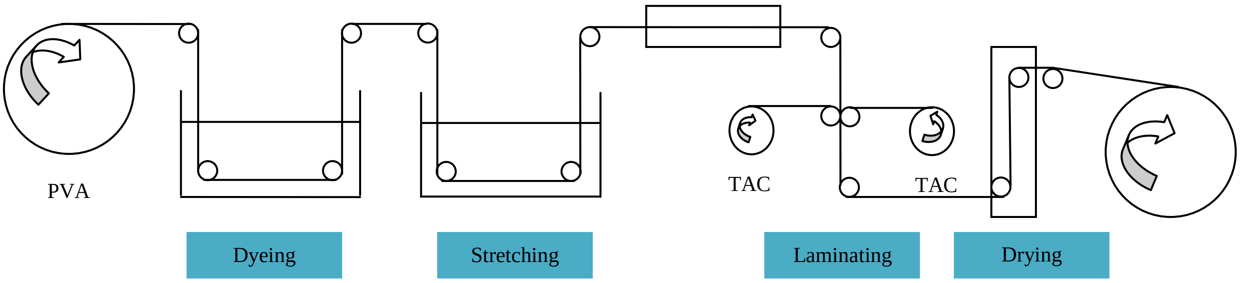
We plan to continue expanding and upgrading our production plants in the future. As of 30 June 2017, we had no definitive ramp-up plans.

Equipment

The principal types of equipment that we use for polarizer manufacturing are TAC ageing processors, PVA stretching machines, PSA coating machines and cutting machines, among others. We mainly use our own equipment for our polarizer manufacturing, which are primarily imported from Japan. To meet our business needs and the needs of our customers, as well as to improve our cost efficiency, we have invested and intend to continue to invest in new and quality equipment that will enhance our manufacturing capabilities. We conduct periodic inspections and repair work on our equipment to maintain our stringent quality and safety standards. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we were able to ensure that sufficient equipment was available for our polarizer production.

PRODUCTION PROCESS

Our polarizers are composites of PVA and cellulose films. The key processes comprise dyeing, stretching, laminating and drying. The following flowchart summarizes our production process:



Source: Topology Research Institute

- **Dyeing**. A PVA-based film is first dyed using dichroic iodine or dichroic dyestuffs to form a dyed layer. This allows iodine molecules or dyestuffs molecules to be dyed onto the PVA-based film, allowing light that is perpendicularly oscillating to be transmitted.

- **Stretching**. A dyed PVA-based film is then stretched in a uniaxial direction to orient polymers of the film in a certain direction while passing through stretching rolls. Dichroic materials are usually synthesized by stretching the dyed PVA-based film that contains dichroic materials such as iodine.

- **Laminating**. The PVA-based film is covered on both sides with TAC for protection and stability. This severs to ensure mechanical strength of the film.

- **Drying**. After the above processes are completed, the PVA-based film is put in an oven and dried, thereby creating a polarizer.

RAW MATERIALS AND SUPPLIERS

Our major raw materials include surface treatment films, PVA, TAC, COP, PSA, PET, release films and protection films. Securing an adequate supply of raw materials at commercially reasonable prices and terms is critical to our business operations.

A majority of our suppliers are located in Japan, including Fujifilm Holdings Corporation, Konica Minolta, Inc., Toyobo Co., Ltd. and Zeon Corporation. As a majority of our suppliers are located in Japan and the global production of some of our raw materials are highly concentrated, we face the risks of supply disruptions and exchange rate fluctuations. See "Risk Factors – Risks Relating to Our Business and Industry – We may be materially and adversely affected by changes in the prices and availability of our raw materials." and "Risk Factors – Risks Relating to Our Business and Industry – Our business is exposed to the risk of exchange rate and interest rate fluctuations." for more information. To mitigate the risk of supply disruptions, we aim to diversify our supply sources, closely monitor our inventory on a continuous basis and develop in-house production of some of our raw materials.

We select our suppliers based on various criteria, including price, experience, quality assurance, supply capacity and years of relationship. We believe that we have adequate supplies and sources of availability of the raw materials necessary to meet our needs. We enter into supply orders with our suppliers, the terms of which may range from one to three months. Our supply orders generally include terms, estimated quantity, pricing, delivery schedule, product warranty, product exchange or refund policy, packaging and credit terms.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, purchases from our five largest suppliers in aggregate amounted to NT$6,999.0 million, NT$5,926.0 million, NT$5,872.2 million, NT$2,492.4 million and NT$2,827.7 million, respectively, accounting for 57.3%, 75.8%, 71.4%, 72.4% and 61.1% of our total purchases, respectively.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, purchases from our largest supplier amounted to NT$3,161.1 million, NT$1,729.0 million, NT$2,846.5 million, NT$1,113.6 million and NT$1,067.6 million, respectively, accounting for 25.9%, 22.1%, 34.6%, 32.4% and 23.1% of our total purchases, respectively.

LOGISTICS

We contract with third-party logistics service providers to transport and deliver products from our warehouses to our customers. Under the logistics agreements that we have entered into with these logistics service providers, our products must be transported to the designated location in accordance with the contract terms. The logistics service providers are liable for damages resulting from any accidents during transportation. Our logistics service providers customize their transportation procedures in accordance with our quality standards to ensure the quality of our products. We transport our products to overseas customers via cargo vessels. After the products arrive at port, we engage third-party logistics service providers to transport and deliver the products to our overseas customers. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we did not experience any material disruption or delay in the transportation of our products or any material damage to our products during transportation.

RESEARCH AND DEVELOPMENT

We believe that research and development is critical to our success. Our research and development efforts are focused on production technologies, primarily: (i) designing polarizers of different specifications and features; and (ii) optimizing manufacturing processes in the production phase.

Recent products from our research and development efforts include the following:

- **IPS polarizers,** which allow IPS panels to display consistent and accurate color from different viewing angles. The technology mainly improves slow response time and low quality color reproductivity that TN-LCD (twisted nematic LCD) panels may have.

- **EWV polarizers,** which can redirect light and enhance the field of view of LCD panels, promising a fast optical response speed and extremely wide viewing angle.

- **UV-curing type OCA,** which is a type of bonding technology used in touch panels and display devices to bind the cover lens, plastic or other optical materials to the main sensor unit or each other. OCA improves optical characteristics and durability. UV curing is a speed curing process in which high intensity UV light is used to create a photochemical reaction that instantly cures inks, adhesives and coatings.

We are committed to investing substantial resources to support our ongoing research and development efforts. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, we spent NT$329.4 million, NT$277.1 million, NT$338.7 million, NT$142.1 million and NT$205.0 million on our research and development activities, respectively, accounting for 2.5%, 2.5%, 3.0%, 2.8% and 3.5% of our total cost of sales, respectively.

As of 30 June 2017, our research and development team consisted of 120 members. Among these qualified personnel, 49.2% received master's degree or higher. Most of our research and development team members have approximately five years of experience in the industry.

INTELLECTUAL PROPERTY

As of 30 June 2017, we had 20 patents in Taiwan, eight patents in China, eight patents in the U.S. and four patents in Japan. As of the same date, we had two patent applications in Taiwan, four patent applications in China, three patent applications in the European Union, three patent applications in Korea and one patent application in Japan. We also have registered two trademarks in Taiwan and one trademark in China as of 30 June 2017.

We continue to seek patent applications to protect our inventions in design and development technologies, which we believe are essential to our business. We may also need to enforce our patents or other intellectual property rights to defend ourselves against claimed infringement of the rights of others through litigation, which could result in substantial expenses. We seek to execute confidentiality and non-disclosure agreements with our employees, independent contractors, suppliers as well as strategic partners in research and development in the ordinary course of our business. Further, we limit access and distribution of our proprietary information in an effort to protect our research and development results.

CUSTOMERS AND SALES AND MARKETING

We derived substantially all of our net sales from the sales of polarizers and polarizer rolls for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017. With our superior research and development capabilities, we are able to offer various products that are closely tailored to meet customer needs. Our major customers are leading panel manufacturers. We maintain stable relationships with our major customers. In order to meet the increasing demand from downstream panel manufacturers, we strive to adjust our product mix and improve our production efficiency to reduce our cost and enhance our competitiveness. We continue to develop new products to expand our customer base. We also strive to ensure production flexibility in response to rapidly changing market demand.

All of our customers are located in Taiwan and China. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, net sales in China amounted to NT$9,930.1 million, NT$8,004.6 million, NT$6,498.6 million, NT$2,981.5 million and NT$3,847.8 million, respectively, accounting for the remaining 62.8%, 62.8%,62.6%, 59.9% and 69.9% of our total net sales, respectively. Net sales in Taiwan contributed to the remaining balance of our total net sales for the respective periods.

We enter into purchase orders with our customers, the terms of which may range from one to three months. Our purchase orders generally include terms, type of products, pricing policy, delivery schedule and credit terms. Our pricing policy takes into account several factors, including customer relations, product specifications, cost of sales, delivery method and size of order. We generally provide a warranty of at least six months for our products, during which time we replace defective products with new products of the same specifications. We did not experience any material exchanges or refunds of our products resulting from quality issues for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, net sales from our five largest customers in aggregate amounted to NT$13.8 billion, NT$10.9 billion, NT$8,789.2 million, NT$4,316.3 million and NT$3,710.5 million, respectively, accounting for 87.5%, 85.9%, 84.7%, 86.7% and 67.4% of our total net sales, respectively. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, net sales from our largest customer amounted to NT$5,321.9 million, NT$4,179.2 million, NT$3,500.6 million, NT$1,805.5 million and NT$1,508.0 million, respectively, accounting for 33.6%, 32.8%, 33.7%, 36.3% and 27.4% of our total net sales, respectively.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our largest customer, who was also our Shareholder holding 8.68% of our Shares as of 30 June 2017, was Innolux Corporation ("**Innolux**") and its affiliates. In an effort to minimize concentration risks, we have been committed to diversifying our customer base, particularly by locating potential customers in China.

We market and sell our products through our sales and marketing team based in Taiwan. Our products are sold directly to our customers under the brand name of CHI MEI MATERIALS TECHNOLOGY CORPORATION. Our sales and marketing team works closely with our research and development team to coordinate our product development activities, new product launches as well as business development planning. Our marketing channels primarily include industry conferences, trade fairs and public relations events.

COMPETITION

We expect competition in the polarizer industry to intensify in the future in light of the increasing demand for LCD panels. Factors affecting competition include product quality, performance stability and durability, research and development capabilities, innovation and development time, pricing, product safety and credit terms. It is expected that the increasing demand for LCD panels, especially TFT-LCD panels, will boost the demand for polarizers and other upstream components.

Our ability to successfully compete in the market will be fundamental to our future success. We face competition from existing and future polarizer manufacturers in Asia. Our major competitors include Nitto Denko, LG and Sumitomo. We may also have to compete with other competitors that have greater resources than we do. See "Risk Factors – Risks Relating to Our Business and Industry – We may experience intense competition and fail to compete effectively."

EMPLOYEES

As of 30 June 2017, we had 2,676 full-time employees, 1,266 of which were located in Taiwan and 1,410 in China. The table below sets forth the number of our employees by function as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
Senior management	128	134	144	154
Administrative	357	389	431	453
Manufacturing	2,019	1,756	2,146	1,880
Sales and marketing	42	43	64	70
Research and development	113	114	128	119
Total	**2,659**	**2,436**	**2,913**	**2,676**

Our continued success is dependent in large part on our ability to attract, retain and maintain qualified personnel. As of 30 June 2017, 32.6% of our employees received bachelor's degree or higher. We primarily hire through online job postings, referrals and campus recruiting, which we believe have enabled us to successfully recruit qualified personnel. We consider our relationships with our employees to be pleasant. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we did not experience any material labor dispute with our employees.

We believe that our compensation packages are competitive with those of our competitors. For our employees located in Taiwan, we provide subsidized annual physical examinations, teambuilding activities, training, continuing education programs and staff gifts or bonuses for birthdays and weddings. In compliance with the relevant laws and regulations in Taiwan, we provide health insurance, group insurance and labor insurance as well as pension plans to our employees. For our employees located in China, we fund monthly contribution plans to an independent fund administered by the PRC government in accordance with the social security related regulations in China based on the relevant employees' monthly salaries and wages.

As of 30 June 2017, we did not have any employee stock option plan.

SAFETY AND QUALITY CONTROL

We believe that our management experience and advanced production technologies have allowed us to maintain a high standard of production quality and reliability. Our senior management team is actively involved in setting safety and quality control policies and monitoring the implementation of such policies to ensure that we are able to deliver polarizers with high level of reliability and safety. We had a total of 208 employees responsible for carrying out quality control measures as of 30 June 2017. They are responsible for component inspection to ensure quality, in-process quality control and product inspection. Our employees are provided with ongoing training with respect to safety and quality control as well.

We have established quality control measures at all stages of our product development and manufacturing processes. For example, during the design and development stage, we apply failure mode and analysis test to identify potential production problems at the early stage. During the manufacturing stage, we inspect raw materials, improve the performance of our manufacturing processes and conduct product testing to ensure production efficiency and product quality. During the after-sales stage, we offer technical support, handle customer complaints and resolve quality issues with a view to achieve high customer satisfaction.

In addition, we have in place a stringent internal control system, identifying and preventing potential issues with respect to: (i) internal control governance; (ii) risk assessment criteria; (iii) remedial internal control policies and procedures; (iv) communication and information management; and (v) continuous monitoring activities. We have also established policies and procedures to facilitate the execution of our internal control objectives. In recognition of our quality management system, we have received the ISO 9001 since 2007, evidencing our commitment to safety and quality control.

INSURANCE

We maintain property insurance policies with reputable insurance companies covering our buildings, production plants, equipment and inventories. Our insurance policies cover losses due to fire, earthquake, flood and other natural disasters. In addition, we may carry transit insurance in connection with the transportation of our products pursuant to our purchase orders with customers. We also maintain insurance policies for directors' liabilities. We believe that our insurance policies are adequate and in line with the industry norm in Taiwan.

ENVIRONMENTAL MATTERS

We have installed waste treatment facilities and implemented waste treatment procedures in our production facilities to treat waste discharged during the production process. The types of waste discharged during our production process include wastewater, smoke emissions, toxic chemicals and industrial waste. Waste produced during the production process is treated before being discharged in accordance with applicable environmental standards and procedures in the relevant jurisdiction where our facilities are located. In recognition of our environmental compliance, we have been accredited with ISO 14001:2004 for our environmental management system standard.

We have not been subject to any material fines or legal actions involving non-compliance with any relevant environmental regulations, nor are we aware of any threatened or pending action by any environmental regulatory authority in any of the jurisdictions where we operate.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the cost of compliance with relevant environmental protection laws and regulations amounted to NT$31.5 million, NT$23.0 million, NT$20.4 million, NT$9.7 million and NT$9.6 million, respectively.

LEGAL PROCEEDINGS

We may from time to time be subject to legal proceedings, which include antitrust proceedings, intellectual property disputes and other disputes arising from our ordinary course of business. There was no material legal proceeding or arbitration which may have, or have had, a significant effect on our financial position for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

CORPORATE STRUCTURE AND PRINCIPAL SUBSIDIARIES

We currently have nine subsidiaries. The following table highlights key information of our subsidiaries as of 30 June 2017:

Company name	Principal business	Place of incorporation	Date of incorporation	Total paid-in capital *(NT$ thousands, unless otherwise specified)*	Book value of our investment *(NT$ thousands)*	Our equity interest
Chimei Materials Technology (Samoa) Corporation	Investment business	Samoa	December 2005	431,482	751,696	100.00%
Chi Mei Materials Technology Investment Co., Ltd.	Investment business	Samoa	March 2014	2,230,328	1,913,414	100.00%
Chi Tsai Investment Co., Ltd.	Investment business	ROC	June 2015	50,000	27,802	100.00%
Chi Mei Visual Technology Corporation	Electronic components manufacturing; optical instrument manufacturing and electronic materials retail	ROC	September 2010	205,000	106,150	68.33%
Ningbo Chi Mei Materials Technology Corporation Limited	Polarizer cutting, inspection and packaging	PRC	February 2006	RMB131,946	777,644	100.00%
Kunshan Chimei Materials Technology Corporation	Development, manufacturing and sale of polarizers	PRC	May 2014	RMB948,460	2,020,390	49.00%
Kunshan Chimei Materials Trading Corporation	Sale of polarizers	PRC	April 2014	RMB50,000	114,654	49.00%
Chi Tsai Trading Co., Ltd	Trading business	ROC	January 2017	1,000	975	100.00%
Ki Kin Corporation	Trading business	Japan	March 2017	12,878	12,036	67.14%

Our principal place of business is located at No. 13, Mujhangang West Road, Shanhua Town, Tainan City 74148, Taiwan. Our website is http://www.cmmt.com.tw. However, information and hyperlinks contained in our website are not incorporated into and do not form part of this Offering Circular.

MANAGEMENT

DIRECTORS

The *ROC Company Act* and our Articles of Incorporation provide that our directors are to be elected by our Shareholders for one- to three-year terms in a general Shareholders' meeting. Our board of directors is responsible for the management of our business. Our Articles of Incorporation provides for a board comprising nine directors.

Directors may serve any number of consecutive terms and may be removed from office at any time for cause, including breach of duties, by a resolution adopted at a general Shareholders' meeting. Except for Mr. Wei-Ting Liu, who was elected at the interim Shareholders' meeting held on 8 February 2017, all of our current directors were elected at the general Shareholders' meeting held on 20 June 2016, and their terms expire on 19 June 2019.

Name	Age	Position
Jau-Yang Ho	68	Chairman
Jung-Chun Lin(1)	69	Director
Chun-Hsiung Chen	40	Director
Chi-Pan Liang	61	Director
Wei-Ting Liu	39	Independent director
Lai-Huang Lo	54	Independent director
Hsiao-Ken Chuang	68	Independent director

Note:

(1) As a representative of Chi Mei Corporation

The business address of our directors is our registered address.

Jau-Yang Ho is our chairman of the board of directors. He has served as our chairman since 2011. Prior to joining us, Mr. Ho was the vice president of Chimei Optoelectronics Corporation as well as the general manager of Chi Mei Corporation. Mr. Ho graduated with a bachelor's degree in chemical engineering from National Cheng Kung University. Mr. Ho has over 20 years of experience in the polarizer industry.

Jung-Chun Lin is our director (as a representative of Chi Mei Corporation). He has served as our director since 2010. Prior to joining us, Mr. Lin was the vice president of Chimei Optoelectronics Corporation as well as the deputy general manager of Chi Mei Corporation. Mr. Lin graduated with a bachelor's degree in accounting from National Chengchi University.

Chun-Hsiung Chen is our director. He has served as our director since 2016. He also serves as the consultant of the Company. Prior to joining us, Mr. Chen was the special assistant manager of Koatech Technology Corporation. Mr. Chen graduated with a master's degree in chemical engineering from Yuan Ze University.

Chi-Pan Liang is our director. He has served as our director since 2016. Prior to joining us, Mr. Liang worked as an engineer for Chunghwa Telecom Co., Ltd. Mr. Liang graduated with a master's degree in computer science from the University of Massachusetts.

Wei-Ting Liu is our independent director. He was recently appointed as an independent director to replace Mr. Kuang-Tse Huang at our interim Shareholders' meeting held on 8 February 2017. Prior to joining us, he was a law clerk at Taiwan Shilin District Court. Mr. Liu is a PH.D. candidate in law at China University of Political Science and Law. He holds a master's degree in law from National Chung Cheng University.

Lai-Huang Lo is our independent director. He was recently appointed as an independent director to replace Hsien-Lang Lin at our regular Shareholders' meeting held on 21 June 2017. Prior to joining us, he was executive director in BNP Paribas Taipei Branch. Mr. Lo holds a master's degree in business management from University of Manchester.

Hsiao-Ken Chuang is our independent director. He was recently appointed as an independent director to replace Sheng-Yen Chang at our regular Shareholders' meeting held on 21 June 2017. Prior to joining us, he was the group leader of Environmental Hygiene and Safety Center in National Chung Cheng University. Mr. Chuang holds a doctor's degree in chemical and polymer science from Polytechnic Institute of New York University.

Chi Mei Corporation has served on our board through representatives appointed by it since 2010. Chi Mei Corporation was incorporated as a company limited by shares in the ROC in 1960.

EXECUTIVE OFFICERS

The following table sets forth certain information relating to our executive officers:

Name	Age	Position
Jau-Yang Ho	68	General manager
Chien-Chih Wang	57	Deputy general manager
Wei-Huang Yu	44	Chief financial officer
Wang-Yang Li	51	Assistant manager

The business address of our executive officers is our registered address.

Jau-Yang Ho is our general manager. Please see above information under "Directors" for details.

Chien-Chih Wang is our deputy general manager. Prior to joining us, he was the special assistant manager of Chi Mei Corporation. Mr. Wang has a bachelor's degree in chemical engineering from National Taiwan Institute of Technology (the predecessor of National Taiwan University of Science and Technology).

Wei-Huang Yu is our chief financial officer. Prior to joining us, he was the financial vice president of Cheer Time Enterprise Co. Ltd. Mr. Yu has a bachelor's degree in accounting from Tamkang University.

Wang-Yang Li is our assistant manager. Prior to joining us, he was the deputy general manager of Chi Mei Visual Technology Corporation. Mr. Li has a doctor's degree in photonics from National Chiao Tung University.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Our directors and executive officers, each as a group in such capacity, received remuneration and benefits in kind from us of approximately NT$43.6 million (US$1.4 million), NT$37.1 million (US$1.2 million), NT$28.3 million (US$0.9 million) and NT$13.4 million (US$0.4 million) for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively. As of 30 June 2017, our directors and executive officers, each as a group in such capacities, did not hold any options that were not exercised. There are no outstanding loans granted by us to any of the directors or executive officers, and there are no outstanding guarantees provided by us for the benefit of any of the directors or executive officers.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as of 23 April 2017, the date of the book close date, with respect to the Shares owned by each of our ten largest Shareholders, and by all directors and executive officers as a group:

	Number of Shares held as of 23 April 2017	**Percentage of Shares held as of 23 April 2017**
Principal Shareholders:		
Chi Mei Corporation.	76,717,084	14.88%
Innolux Corporation	44,741,305	8.68%
Macquarie Bank Limited London Branch (acting as the trustee for Hong Kong and Shanghai Banking Corporation Limited)	25,055,000	4.86%
Union Bank of Switzerland (acting as the trustee for Hongkong and Shanghai Banking Corporation Limited)	22,416,600	4.35%
Nomura International Corporation Investment Management (acting as the trustee for Citibank Taiwan, Ltd.)	19,186,000	3.72%
JP Morgan Chase Bank Taipei Branch (acting as the trustee for Quoniam Asset Management GmbH)	4,116,000	0.80%
Wen-Bing Wang	3,999,000	0.78%
Standard Chartered Bank Business Department(acting as the trustee for Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds)	3,740,000	0.73%
Hongkong and Shanghai Banking Corporation Limited Bank plc (acting as the trustee for Hongkong and Shanghai Banking Corporation Limited) – IB Asia SBL	2,727,000	0.53%
Shin Kong Life Insurance Co., Ltd.	2,331,000	0.45%
Directors and executive officers:		
Directors as a group	76,717,084	14.88%
Executive officers as a group	2,148,545	0.42%

RELATED PARTY TRANSACTIONS

We may from time to time engage in transactions with companies whose management members are partially the same as ours. There are no significant differences in purchase and selling prices between transactions with our related parties and arms-length transactions with our suppliers and customers. There were no unusual transactions in terms of the nature of or conditions contained in such transactions with our directors and executive officers for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017.

Our related party transactions for the years ended 31 December 2014, 2015 and 2016 referred to sale of goods, other income, other receivables, other payables, other assets acquired, other expenses, rental income and compensation of key management personnel in relation to our related parties. The following summary of significant transactions with related parties are based on the notes to our audited consolidated financial statements as of and for the years ended 31 December 2014, 2015 and 2016 included elsewhere in this Offering Circular. The following summary of significant transactions with related parties are based on the notes to our unaudited consolidated financial statements as of and for the six months ended 30 June 2016 and 2017 included elsewhere in this Offering Circular.

RECEIVABLES

		As of 31 December			As of 30 June	
		2014	**2015**	**2016**	**2016**	**2017**
		NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
			(audited)		*(unaudited)*	
Accounts receivable	Affiliates	-	-	-	-	253,042
Other receivables	Affiliates	9	5	5	5	5
	Total	**9**	**5**	**5**	**5**	**253,047**

Accounts receivable to the affiliates as of 30 June 2017 related to the sales of Kunshan Chimei Materials Trading Corporation.

OTHER PAYABLES

	As of 31 December			As of 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
		(audited)		*(unaudited)*	
Affiliates	2,397	246	269	502	216
Investors that have significant influence over the Company..................................	628	1,810	-	65	144
Total	**3,025**	**2,056**	**269**	**567**	**360**

Other payables to the affiliates as of 31 December 2014, 2015 and 2016 and 30 June 2016 and 2017 related to management fees, sewage treatment fees of Lian Ci Development Corporation, rent of K Laser Technology Co., Ltd, and inspection fees of Chi Mei Corporation.

OPERATING EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
		(audited)		*(unaudited)*	
Affiliates	49,375	28,559	24,148	11,425	412
Investors that have significant influence over the Company - legal foundations whose donations are more than one-third of paid-in capital	2,000	2,000	-	-	-
Investors that have significant influence over the Company	14,556	7,301	1,974	650	699
Total	**65,931**	**37,860**	**26,122**	**12,075**	**1,111**

Operating expenses paid to the affiliates for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 related to sewage treatment fees of Lian Ci Development Corporation and inspection fees of Chi Mei Corporation. We also incurred operating expenses for consumables used by Chi Mei Corporation.

CHANGES IN SHARE CAPITAL

Changes in our issued share capital since our inception up to 3 September 2014, the most recent record date, are set forth below:

Issue date	Type of issuance	Number of Shares issued/(cancelled)	Number of Shares outstanding after issuance
May 2005	Initial issuance of 35,000,000 Shares	35,000,000	35,000,000
November 2005	Issuance of 65,000,000 Shares for capital increase	65,000,000	100,000,000
July 2006	Issuance of 150,000,000 Shares for capital increase	150,000,000	250,000,000
November 2007	Issuance of 80,000,000 Shares for capital increase; cancellation of 100,000,000 Shares for capital decrease	(20,000,000)	230,000,000
June 2008	Issuance of 55,000,000 Shares for capital increase	55,000,000	285,000,000
December 2009	Issuance of 100,000,000 Shares for capital increase	100,000,000	385,000,000
May 2010	Issuance of 34,650,000 Shares of retained earnings	34,650,000	419,650,000
January 2011	Issuance of 23,520,000 Shares for capital increase	23,520,000	443,170,000
August 2012	Issuance of 48,000,000 Shares for capital increase	48,000,000	491,170,000
September 2014	Issuance of 24,558,500 Shares of retained earnings	24,558,500	515,728,500

Our issued share capital for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 remained to be 515,728,500.

DESCRIPTION OF THE SHARES

The following is a summary of information relating to our share capital, including the material provisions of our Articles of Incorporation, the *ROC Securities and Exchange Act* and regulations promulgated thereunder and the *ROC Company Act*, all as currently in effect.

GENERAL

As of the date of this Offering Circular, our authorized share capital approved by our interim Shareholders' meeting on 8 February 2017 is NT$7,000,000,000, divided into 700,000,000 Shares, par value NT$10 per Share. As of the date of this Offering Circular, the paid-in capital was NT$5,157,285,000.

Under the *ROC Company Act*, any change in our authorized share capital, including a decrease in authorized share capital, requires an amendment to our Articles of Incorporation, which in turn requires approval at the Shareholders' meeting. Authorized but unissued Shares may be issued subject to the *ROC Company Act* and our Articles of Incorporation, upon terms that the board of directors may determine.

We have one class of Shares. Pursuant to the *ROC Company Act*, the issuance of preferred stocks by a company shall not take effect unless authorized by its articles of incorporation. There is no such authorization in our Articles of Incorporation.

Under the *ROC Securities and Exchange Act*, a public company, like us, is required to either establish an audit committee, or an ROC Audit Committee, or retain supervisors, provided that the ROC FSC may, after considering the scale and business nature of a public company and other necessary situation, require the company to establish an audit committee in place of its supervisors. We have amended our Articles of Incorporation and introduced the mechanism of an ROC Audit Committee. According to our latest amended Articles of Incorporation and audit committee charter, our ROC Audit Committee is composed of all independent directors and performs the power and duties provided by applicable laws and regulations, including without limitation the powers and the duties of supervisors provided under the *ROC Company Act*.

DIVIDENDS AND DISTRIBUTION

Except under limited circumstances, we will not be permitted to distribute dividends or make other distributions to Shareholders in any given year in which we do not record net income or retained earnings (excluding reserves). The *ROC Company Act* also requires that 10% of the annual net income (less prior years' losses, if any, and applicable income taxes) be set aside as a legal reserve until the accumulated legal reserve equals our paid-in capital. In addition, our Articles of Incorporation provides that our net income shall be distributed in the following manner:

(a) Making up for accumulated losses;

(b) Setting aside a 10% legal reserve until the accumulated legal reserve equals our paid-in capital;

(c) Setting aside or reversing special reserve; and

(d) the remainder plus the accumulated retained earnings at the beginning of the preceding fiscal year is distributable earnings for the board of directors to submit a proposal for the distribution of dividends for approval at the Shareholders' meeting.

We will distribute dividends based on the development plans, investment environment, domestic and worldwide competition, as well as our financing needs. At each of our annual general Shareholders' meetings, the board of directors submits to the Shareholders for their approval any proposal for the distribution of dividends or the making of any other distribution to Shareholders from our net profits or distributable earnings (subject to compliance with the requirements mentioned above). All Shares issued and outstanding and fully paid as of the relevant record date are entitled to share equally in any dividend or other distribution approved by our Shareholders. Dividends may be distributed in cash, in the form of Shares or a combination thereof as determined by the Shareholders at such meeting, provided that dividends distributed in the form of cash shall be no less than 10% of the total dividends declared. Under ROC laws and regulations, cash dividends which are unclaimed for a period of five years from the date of the relevant notice of distribution may no longer be claimed. Such unclaimed cash dividends will, upon expiry of the five-year period, remain our property. However, stock dividends are not subject to any prescription period under ROC laws and regulations and the relevant stockholder is entitled to his/her/its rights attached to such unclaimed stock dividends.

In addition to dividends paid out of net profits or earnings of a company, the *ROC Company Act* permits a company to make distributions to shareholders in the form of additional shares or cash from reserves (including its legal reserve referred to above and certain other reserves) if the company has no losses. For information as to ROC taxes on cash and stock dividends, see "ROC Taxation." However, the capitalization or cash distribution of the legal reserve can only be effected when the accumulated legal reserve exceeds 25% of the company's paid-in capital and only to the extent of such excessive amount. The capitalized portion payable out of our capital reserves may be from the aggregate of the premium from issuing stock and earnings from gifts received.

NEW COMMON SHARES AND PRE-EMPTIVE RIGHTS

Pursuant to the *ROC Company Act*, new common shares may only be issued with the prior approval of the board of directors. If the issuance of any new shares will result in any change in the authorized share capital, we are further required under the *ROC Company Act* to amend our Articles of Incorporation and obtain approval of the Shareholders. In addition, we must obtain the approval of, and submit a registration with, the MOEA and the ROC FSC.

Under the *ROC Company Act*, when a company issues new shares for cash, 10% to 15% of the issued shares must be offered to its employees. In addition, under the *ROC Securities and Exchange Act* and relevant securities regulations, at least 10% of the issued shares must be offered to the public, except under certain circumstances or when exempted by the ROC FSC. The percentage can be increased by a resolution passed at a shareholders' meeting, thereby reducing the number of new shares subject to the pre-emptive rights of existing shareholders. Unless the percentage of shares to be offered to the public is increased by the shareholders, existing shareholders who are listed on the shareholders' register as of the record date have pre-emptive rights to acquire the remaining 75% to 80% of the shares to be offered in proportion to such shareholder's shareholding. Shares not subscribed for by the employees or shareholders at the expiration of the subscription period for the exercise of their respective rights may be sold to the public or specified persons at the direction of the board of directors. Our existing Shareholders have waived their pre-emptive rights relating to the underlying new Shares represented by the GDSs to be offered in the offering.

MEETINGS OF SHAREHOLDERS

Our annual general Shareholders' meetings are usually held in Tainan, Taiwan, as determined by the board of directors, and shall be held within six months of the end of each calendar year. Special Shareholders' meetings may be convened by resolutions of the board of directors whenever they consider necessary, and they must do so if requested in writing by Shareholders holding not less than 3% of the total issued Shares for not less than one year. Notice in writing of general and special Shareholders' meetings stating the place, time and purpose thereof must be dispatched to each of our Shareholders at least 30 days and 15 days, respectively, prior to the date set for the meeting.

VOTING RIGHTS

Under the *ROC Company Act*, a shareholder has one vote for each common share, except for treasury shares and common shares held by (i) an entity in which the company owns more than 50% of the voting shares or paid-in capital or (ii) a third party in which the company and an entity controlled by such company jointly own, directly or indirectly, more than 50% of the voting shares or paid-in capital. Except as otherwise provided by law, a resolution can be adopted by the holders of at least a majority of our Shares represented at a Shareholders' meeting at which the holders of a majority of all issued and outstanding Shares are present. In accordance with the *ROC Company Act*, the election of directors at a shareholders' meeting is by means of cumulative voting. In all matters, except for the election of directors, a shareholder must cast all of his votes in the same direction unless such shareholder is qualified with certain requirements to hold shares on behalf of multiple beneficial owners.

Moreover, any shareholder who has a personal interest in a matter to be discussed at the shareholders' meeting, the outcome of which may impair our interests, shall not vote or exercise voting rights on behalf of another shareholder on such matter. Under the *ROC Company Act*, the approval of at least a majority of the shares represented at a shareholders' meeting in which a quorum of shareholders holding at least two-thirds of all issued and outstanding shares is present is required for major corporation actions, including:

- amendment to the articles of incorporation (which is required, *inter alia*, for any increase in authorized share capital);
- transfer of the whole or a substantial part of our business or assets;
- execution, amendment or termination of any contract that leases our entire business, mandates our operation to other persons or operates the business frequently for the joint interest of us and other persons;
- taking over of the entire business or assets of any other company which would have a significant impact on our operations;
- distribution of any stock dividend;
- dissolution or amalgamation of a company;

- merger, spin-off or share swap; and
- removal of directors.

Alternatively, the *ROC Company Act* provides that in the case of a public company, such as us, a resolution may be adopted by the holders of at least two-thirds of the shares represented at a shareholders' meeting at which the holders of at least a majority of issued and outstanding shares are present. Notwithstanding the foregoing, in the case of a merger, spin-off, transfer of whole or a substantial part of business or asset, or share swap which meets the specific criteria provided under the *Corporate Merger and Acquisition Act*, such as short-form merger/spin-off/share swap or whale-minnow merger/spin-off/share-swap (as defined therein), such corporate action can be approved by a board resolution adopted by majority consent at a meeting with at least two-thirds of our directors present without Shareholders' approval. Notwithstanding the foregoing, in the event such transaction will result in our delisting, the approval from holders of at least two-thirds of our issued and outstanding Shares is required.

A Shareholder may be represented at a general or special meeting by proxy if a valid proxy form is delivered to us at least five days before the date fixed for the general or special Shareholders' meeting. In the case of a public company, such as us, except for trustee enterprises or stock affair agents approved by the ROC FSC, where: (a) a person who holds proxies for two or more Shareholders who together hold more than 3% of the total issued Shares; or (b) a person who holds proxies for three or more Shareholders who together hold more than four times of such authorized person's own Shares, the votes of those Shareholders in excess of 3% of the outstanding Shares or four times of such authorized person's own Shares (as applicable) shall not be counted. Voting rights attached to our Shares exercised through a proxy are subject to the proxy regulations promulgated by the ROC FSC.

Under the *ROC Company Act*, a company may set a record date and shall close the shareholders' register for a specified period immediately prior to and including the record date in order to determine the shareholders or pledgees that are entitled to rights pertaining to the shares. The specified period required for the respective record date for a public company is as follows:

- general shareholders' meeting – 60 days;
- special shareholders' meeting – 30 days; and
- relevant record date for distribution of dividends, bonuses or other interests – five days.

OTHER RIGHTS OF SHAREHOLDERS

Under the *ROC Company Act* and the *Corporate Merger and Acquisition Act*, dissenting shareholders are entitled to appraisal rights in the event of amalgamation, spin-off and various other major corporate actions within 20 days of a shareholders' resolution approving the event. A dissenting Shareholder may request us to redeem all of the Shares owned by such Shareholder at a fair price to be determined by mutual agreement. If an agreement cannot be reached, the valuation will be determined by a court order. Subject to applicable laws and regulations, a dissenting Shareholder may, among other things, exercise its appraisal right by notifying us in writing before the related Shareholders' meeting and/or by raising and registering its dissent in the Shareholders' meeting and also waive its voting right.

In addition to appraisal rights, within 30 days after the date of the Shareholders' meeting, any Shareholder has the right to annul any resolution adopted at a Shareholders' meeting where the procedures or the method of resolution were or was legally defective. However, if the court is of the opinion that such violation is not material and does not affect the result of the resolution, the court may reject or dismiss the Shareholder's lawsuit. If the substance of a resolution adopted at a Shareholders' meeting contradicts with any relevant laws or regulations or our Articles of Incorporation, a Shareholder may bring a suit to determine the validity of such resolution.

Shareholders may commence an action against directors under the following circumstances:

- Shareholders who have continuously held 3% or more of the total number of issued and outstanding Shares for a period of one year or longer may request in writing that a audit committee member institute an action against a director on our behalf. In case the audit committee member fails to institute an action within 30 days after receiving such request, the Shareholders may institute an action on our behalf. In the event that Shareholders institute an action, a court may, upon application of the defendant, order such Shareholders to furnish appropriate security.

- Shareholders holding 3% or more of the total number of issued and outstanding Shares may institute an action with a court to remove a director who has materially violated the applicable laws or regulations or our Articles of Incorporation or has materially damaged our interests if a resolution for removal on such grounds has first been voted on and rejected by the Shareholders and such suit is filed within 30 days after such Shareholders' vote.

- In the event that any director, officer or Shareholder holds more than 10% of the issued and outstanding Shares and their respective spouse and minor children and/or nominees sells Shares within six months after the acquisition of such Shares, or repurchases the Shares within six months after the sale, we may make a claim for recovery of any profits realized from the sale and purchase. If the board of directors or audit committee fails to make a claim for recovery, any Shareholder may request the board of directors or audit committee to make such claim within 30 days. After such 30-day period, the requesting Shareholder will have the right to make a claim for such recovery, and our directors and audit committee will be jointly and severally liable for damages suffered by us as a result of their failure to exercise the right of claim.

The *ROC Company Act* allows shareholders holding 1% or more of the total issued shares of a company to submit, during the period of time prescribed by the company, one proposal in writing for discussion at the general shareholders' meeting. The *ROC Company Act* provides that a company may adopt a nomination procedure for election of directors. If a company wishes to adopt the nomination procedure, it must be stipulated in its articles of incorporation. With such provision in a company's articles of incorporation, shareholders representing 1% or more of the total issued shares of such company may submit a candidate list along with relevant information and supporting documents to the company within the period prescribed by the company. We have adopted a nomination procedure for the election of directors.

ANNUAL FINANCIAL STATEMENTS

For a period of at least ten days before the general Shareholders' meeting, our annual audited financial statements must be available at our principal office and our share registrar for inspection by the Shareholders. According to the regulations of the ROC FSC, a company is required to publish its annual and quarterly financial statements.

TRANSFER OF COMMON SHARES

Under the *ROC Company Act*, a public company, such as us, may issue individual share certificates, one master or no certificate at all to evidence Shares. Under the *ROC Company Act*, when individual share certificates are issued and delivered to the shareholders, transfer of shares (in registered form) is effected by endorsement and delivery of share certificates. Under the *ROC Securities and Exchange Act* and the relevant regulations, public companies listed on the TWSE and TPEx are required to issue scripless shares, and settlement of trading of the shares will be carried out on a book-entry system maintained by the Taiwan Depository & Clearing Corporation. In order to assert Shareholders' rights against us, the transferee must have his name and address registered on our Shareholders' register. Shareholders are required to register their respective specimen seal or chop with us.

ACQUISITION BY US OF OUR OWN SHARES

Under the *ROC Company Act*, a ROC company could not acquire its own shares except for minor exceptions. In addition, under the *ROC Securities and Exchange Act*, we may, pursuant to a board resolution adopted by majority consent at a meeting attended by more than two-thirds of the directors and pursuant to the procedures prescribed by the ROC FSC, purchase our Shares on the TWSE or by a tender offer for the following purposes:

- for transfer of Shares to our employees;
- to meet the exercise of rights for Shares by holders of bonds with warrants, preferred stocks with warrants, convertible bonds, convertible preferred stocks or certificates of warrants issued by us; or
- for maintaining our credit and our Shareholders' equity, if necessary.

Shares purchased by us for the purpose set out in the first two items of the preceding paragraph shall be transferred to the intended transferees within three years of the relevant purchase, failing which they will be canceled and we will be required to complete and amend registration for the cancellation. Shares purchased by us for the purpose set out in the last item of the preceding paragraph shall be canceled, and we are required to amend the registration of our issued paid-in capital to reflect such cancellation within six months of such purchase.

The total Shares so purchased by us shall not exceed 10% of our total issued and outstanding Shares. In addition, the total amount for purchase of the Shares shall not exceed the aggregate amount of the retained earnings, the premium from stock issues and the realized portion of the capital reserve.

The Shares purchased by us shall not be pledged or hypothecated. In addition, we may not exercise any Shareholders' rights attaching to such Shares. Our affiliates (as defined in Article 369-1 of the *ROC Company Act*), directors, managers and their respective spouses and minor children and/or nominees are prohibited from selling the Shares held by them during the period in which we purchase our own Shares.

In addition to the share purchase restriction, the *ROC Company Act* further provides that our subsidiaries may not acquire our Shares if the majority of the outstanding voting Shares or paid-in capital of such subsidiary is directly or indirectly held by us. As of the date of this Offering Circular, we did not hold any of our Shares in treasury.

LIQUIDATION RIGHTS

In the event of liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and distributions to the holders of preferred Shares, if so provided under the Articles of Incorporation, will be distributed pro rata to the Shareholders in accordance with the *ROC Company Act*.

TRANSFER RESTRICTIONS

The number of Shares that each of our directors, managers or major Shareholders (i.e., a Shareholder who, together with his or her spouse, minor children or nominees, holds more than 10% of the Shares) can sell or transfer per day on the TWSE is limited by the *ROC Securities and Exchange Act*. Further, they may sell or transfer the Shares on the TWSE only after reporting to the ROC FSC at least three days before such sale or transfer, provided that such reporting is not required if the number of Shares to be sold or transferred does not exceed 10,000 Shares.

LIMITATION ON SHAREHOLDINGS IN US AND REPORTING OBLIGATIONS

The *ROC Securities and Exchange Act* requires each of our directors, managers or major Shareholders (i.e., a Shareholder who, together with his or her spouse, minor children or nominees, holds more than 10% of our issued Shares) to report any change in that person's shareholding in the preceding month to us before the fifth day of each month, and we shall report the same to the ROC FSC before the fifteenth day of each month. Such persons are required to report to us immediately the pledge of their Shares, and we shall report the same to the ROC FSC within five days from the pledge date. A person who individually or together with other persons (as defined under the ROC FSC regulations) acquires more than 10% of our issued and outstanding Shares shall report to the ROC FSC, within ten days from the acquisition date, the acquisition purpose, funding sources and other information required by the ROC FSC.

SHAREHOLDERS' REGISTER

Taishin International Bank currently acts as our share registrar and maintains our Shareholders' register at its offices in Taipei, Taiwan, and enters transfers of Shares in such register upon presentation of, among other documents, certificates in respect of the transferred Shares. The registered office of our share registrar is at B1, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei 10489, Taiwan.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

The Bank of New York Mellon (the "**Depositary**") will register and deliver the GDSs under a Regulation S deposit agreement among us, the Depositary and the direct and indirect holders and beneficial owners from time to time of the GDSs (the "**Deposit Agreement**"). Each GDS will represent 40 Shares (or a right to receive 40 Shares) deposited with Mega International Commercial Bank Co. Ltd. (the "**Custodian**"). Each GDS will also represent any other securities, cash or other property that may be held by the Depositary under the Deposit Agreement.

You may hold the GDSs either (A) directly (i) by having a GDR, which is a certificate evidencing a specific number of GDSs, registered in your name, or (ii) by having uncertificated GDSs registered in your name, or (B) indirectly by holding a security entitlement in GDSs through your broker or other financial institution that is a direct or indirect participant in Euroclear or Clearstream. However, so long as the GDSs are eligible for the book-entry settlement systems of Euroclear and Clearstream, the Depositary will only deliver GDSs to accounts with direct or indirect participants of Euroclear or Clearstream.

In this section, "deposited securities" refer to the deposited Shares and any other cash, securities or other property held by the Depositary under the Deposit Agreement. If you hold the GDSs directly, you are a registered holder of GDSs (a "**GDS holder**"). This description assumes that you are a GDS holder. If you hold the GDSs indirectly, you must rely on the procedures of your broker or other securities intermediary to assert the rights of GDS holders described in this section. You should consult with your broker or securities intermediary to find out what those procedures are. Registered holders of uncertificated GDSs will receive statements from the Depositary confirming their holdings.

The Depositary's office at which the GDSs will be administered is located at 101 Barclay Street, New York, New York 10286. Copies of the Deposit Agreement will be available for inspection at the Depositary's office.

As a GDS holder, we will not treat you as one of our Shareholders, and you will not have Shareholder rights. ROC law governs Shareholder rights. The Depositary will be the holder of the Shares underlying your GDSs. As a registered holder of GDSs, you will have GDS holder rights. The Deposit Agreement sets out GDS holder rights as well as the rights and obligations of the Depositary. New York law governs the Deposit Agreement and the GDSs.

The following is a summary of the material provisions of the Deposit Agreement. For more complete information, you should read the entire Deposit Agreement and form of GDR.

TRANSFER RESTRICTIONS

The GDSs and the underlying Shares will be subject to restrictions on transfer that are described under the section headed "Transfer Restrictions."

DIVIDENDS AND OTHER DISTRIBUTIONS

The Depositary has agreed to pay or distribute to GDS holders the cash dividends or other distributions it or the Custodian receives on Shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of

Shares your GDSs represent.

Distribution of Cash

The Depositary will convert any cash dividend or other cash distribution we pay on the Shares into US Dollars if it can do so on a reasonable basis and can transfer the US Dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the Deposit Agreement allows the Depositary to distribute the foreign currency only to those GDS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the GDS holders who have not been paid. It will not invest the foreign currency, and it will not be liable for any interest.

Before making a distribution, any withholding taxes or other governmental charges that must be paid will be deducted. See "ROC Taxation." The Depositary will distribute only whole US Dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the Depositary cannot convert the foreign currency, you may lose some of the value of the distribution.

Distribution of Shares

The Depositary may distribute additional GDSs representing any Shares we distribute as a dividend or free distribution. The Depositary will only distribute whole GDSs. It will sell Shares which would require it to deliver a fraction of a GDS (or GDSs representing those Shares) and distribute the net proceeds in the same way as it does with cash. If the Depositary does not distribute additional GDSs, the outstanding GDSs will also represent the new Shares. The Depositary may sell a portion of the distributed Shares (or GDSs representing those Shares) sufficient to pay its fees and expenses in connection with that distribution.

Distribution of Rights to Purchase Additional Shares

If we offer our Shareholders any rights to subscribe for additional Shares or any other rights, the Depositary may (i) exercise those rights on behalf of GDS holders, (ii) distribute those rights to GDS holders, or (iii) sell those rights and distribute the net proceeds to GDS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the Depositary does not do any of those things, it will allow the rights to lapse. In that case, you will receive no value for them. The Depositary will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the Depositary that it is legal to do so. If the Depositary exercises rights, it will purchase the securities to which the rights relate and distribute those securities to the extent permitted under the applicable laws, or, in the case of Shares, new GDSs representing the new Shares, to subscribing GDS holders, but only if GDS holders have paid the exercise price to the Depositary. U.S. securities laws may restrict the ability of the Depositary to distribute rights or GDSs or other securities issued on exercise of rights to all or certain GDS holders, and the securities distributed may be subject to restrictions on transfer.

Other Distributions

The Depositary will send to GDS holders anything else we distribute on deposited securities by any means which it thinks is legal, fair and practical. If it cannot make the distribution in that way, the Depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case GDSs will also represent the newly distributed property. However, the Depositary is not required to distribute any securities (other than GDSs) to GDS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The Depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the Depositary to distribute securities to all or certain GDS holders, and the securities distributed may be subject to restrictions on transfer.

The Depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any GDS holders. We have no obligation to register the GDSs, Shares, rights or other securities under the *U.S. Securities Act*. We also have no obligation to take any other action to permit the distribution of GDSs, Shares, rights or anything else to GDS holders. This means that you may not receive the distributions we make on our Shares or any value for them if it is illegal or impractical for us to make them available to you.

RECORD DATES

The Depositary may fix record dates (which shall be as near as practicable to any corresponding record dates set by the Company) for the determination of the holders of GDSs who will be responsible for the fees assessed by the Depositary and for any expenses provided for in the Deposit Agreement as well as for the determination of the registered holders of GDSs who will be entitled:

- to receive dividends, rights or other distributions; or
- to receive any notice or to act in respect of or be affected by any other matters.

The Depositary will notify Euroclear and Clearstream of each record date it sets. The GDS holders may through their brokers get access to such information.

DEPOSIT, WITHDRAWAL AND CANCELLATION

Issuance of GDSs upon Deposit of Shares

Under the current ROC laws and regulations, no deposits of Shares may be made in the depositary receipt facility, and no GDSs may be issued against such deposits after the closing of this offering, without specific approval of the ROC FSC, except for the issuance of additional GDSs in connection with (i) dividends on, or free distributions of, Shares, (ii) the exercise by holders of existing GDSs of their preemptive rights in the event of capital increases for cash, or (iii) only if and to the extent previously issued GDSs have been canceled and as permitted under the Deposit Agreement, the deposit of Shares owned or purchased directly by a person or through the Depositary on the TWSE for the deposit in the depositary receipt facility such that the total number of GDSs outstanding after an issuance described in this clause (iii) does not exceed the number of GDSs issued and previously approved by the ROC FSC in connection with this offering plus any GDSs created under clauses (i) and (ii) described above, and subject to any adjustment to the number of Shares represented by each GDS.

Subject to the restrictions described in the preceding paragraph, the Depositary will deliver GDSs if you or your broker deposits Shares or evidence of rights to receive Shares with the

Custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the Depositary will register the appropriate number of GDSs in the names you request and will deliver the GDSs to or upon the order of the person or persons that made the deposit.

Although we do not currently intend to do so, following completion of the offering, we may file with the Securities and Exchange Commission a registration statement on Form F-6 under the *U.S. Securities Act* relating to the GDSs issued pursuant to the Deposit Agreement subsequent to the effectiveness of that registration statement. There can be no assurance that a registration statement under the *U.S. Securities Act* relating to the GDSs will be filed or, if filed, will be declared effective under the Securities Act of 1933 by the Securities and Exchange Commission. "**Effective Time**" refers to the time that a registration statement for the GDSs, if any, becomes effective.

Prior to the Effective Time, each deposit of Shares for the GDSs must be accompanied by a written acknowledgement, certification and agreement by or on behalf of the person who will be the beneficial owner of the GDSs:

- acknowledging that the GDSs and the underlying Shares have not been and will not be registered under the *U.S. Securities Act*;

- certifying that it is not a U.S. person (within the meaning of Regulation S) under the *U.S. Securities Act* and is located outside the United States (within the meaning of Regulation S) and acquired, or has agreed to acquire and will acquire, the Shares to be deposited outside the United States;

- certifying that it is not an affiliate of us or a person acting on behalf of one of our affiliates;

- certifying that it is not in the business of buying and selling securities or, if it is in that business, it did not acquire the Shares to be deposited from us or any of our affiliates in the offering; and

- agreeing that, during a period of 40 days after the completion of the distribution of GDSs of the relevant class (the "**Restricted Period**"), it will comply with the restrictions on transfer set forth under the section headed "Transfer Restrictions" on transfers of the GDSs and the underlying Shares.

Withdrawal of GDSs upon Cancellation of GDSs

You may surrender your GDSs at the Depositary's office for the purpose of withdrawal of deposited securities. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the Depositary will deliver the Shares and any other deposited securities underlying the GDSs to the GDS holder or a person the GDS holder designates at the office of the Custodian. Or, at your request, risk and expense, the Depositary will deliver the deposited securities at its office, if feasible. The Depositary may charge you a fee and its expenses for instructing the Custodian regarding delivery of deposited securities.

In the case of Shares that are evidenced by a certificate of payment (the "**Certificate of Payment**") (including the Shares underlying the GDSs being sold in this offering), you may not surrender the GDSs for the purpose of withdrawal of the underlying Shares until the Depositary has received notice from us that those Shares, or interests in those Shares, have been approved for listing on the TWSE. Under ROC market practice, Shares or interests evidenced by Certificates of Payment cannot be delivered until two trading days after those Shares or interests are listed on the TWSE. Listing normally occurs on the trading day following approval of that listing. Subject to these restrictions, we expect that you will be able to withdraw interests in the underlying Shares sold in this offering on or about the fourth trading day in the ROC following the closing date of this offering.

Notwithstanding the foregoing, no deposited securities may be withdrawn upon surrender of the GDSs unless the Depositary has received a written certificate and agreement by or on behalf of the person surrendering those GDSs who, after withdrawal, will be the beneficial owner of the deposited securities withdrawn:

- (during the Restricted Period) acknowledging that the GDSs and the underlying Shares have not been registered and will not be registered under the *U.S. Securities Act*;

- (during the Restricted Period) certifying that that person is located outside the United State and either:

  - has sold or otherwise transferred, or agreed to sell or otherwise transfer and at or prior to the time of withdrawal will have sold or otherwise transferred the GDSs or Shares in accordance with Regulation S under the *U.S. Securities Act* and is, or prior to that sale or other transfer was, the beneficial owner of the GDSs;

  or

  - will be the beneficial owner of the Shares upon withdrawal and, during the Restricted Period, will comply with the restrictions on transfer of those Shares as described under the section headed "Transfer Restrictions."

- (at all times) certifying that the surrender of GDSs and withdrawal of Shares is being made in full compliance with all applicable laws and regulations of the ROC on the date of surrender, including laws and regulations concerning foreign and PRC ownership of Shares.

Special Requirements Applicable to Withdrawals of Deposited Shares

Under the current ROC laws and regulations, a GDS holder that is a non-ROC person wishing to withdraw deposited shares from a depositary receipt facility and hold shares is required to appoint an eligible agent in the ROC for filing tax returns and making tax payments (a **"Tax Guarantor"**). Such Tax Guarantor will be required to meet the qualifications set by the ROC Ministry of Finance and will act as the guarantor of the withdrawing holder's tax payment obligations. In addition, subject to certain limited exceptions, under the current ROC laws and regulations, repatriation of profits by a non-ROC withdrawing GDS holder is subject to the submission of evidence by the withdrawing holder of the appointment of a Tax Guarantor to, and approval thereof by, the tax authority. There can be no assurance that a withdrawing GDS holder will be able to appoint and obtain approval for such agent in a timely manner.

Additionally, under the current ROC laws and regulations, if a holder (other than a PRC Person that fails to meet the qualifications required under the relevant ROC laws and regulations) wishes to withdraw and hold shares or, as the case may be, the individual scripless certificates of payment from a depositary receipt facility, the holder will be required to register with the TWSE for making investments in the ROC securities market prior to withdrawing shares. Under the current ROC laws and regulations, such withdrawing holder is required to appoint a local agent in the ROC to, among other things, open a securities trading account with prior approval granted by the TWSE with a local securities brokerage firm and a bank account, pay ROC taxes, remit funds and exercise shareholders' rights. In addition, such withdrawing holder is also required to appoint a custodian bank to hold the securities and cash in safekeeping, make confirmations, settle trades and report all relevant information. Without making such appointment and the opening of such account, the withdrawing holder would be unable to hold or subsequently sell the deposited shares withdrawn from the depositary receipt facility on the TWSE. The laws of the ROC applicable to the withdrawal of shares may change from time to time. There can be no assurances that current law will remain in effect or that future changes of ROC law will not adversely affect the ability of GDS holders to withdraw deposited Shares.

Under the current ROC laws and regulations, a PRC Person must be a qualified PRC Person in order to hold global depositary shares or shares of a listed company, and if the aggregate ownership of the shares of a listed company will, immediately following the withdrawal, be more than 10% of the total number of the shares outstanding of such listed company, such qualified PRC Person shall obtain the prior approval from the Investment Commission of the ROC Ministry of Economic Affairs. Further, the investment amount of such qualified PRC Persons in the listed securities in the ROC, separately or jointly, is subject to certain investment caps promulgated by the ROC FSC. There is no assurance that such approval can be obtained in a timely manner or at all. See "Appendix B – Foreign Investment and Exchange Control in the ROC – Foreign Investment Approval" for more information.

Interchange between Certificated GDSs and Uncertificated GDSs

You may surrender your GDR to the depositary for the purpose of exchanging your GDR for uncertificated GDSs. The Depositary will cancel that GDR and will send to the GDS holder a statement confirming that the GDS holder is the registered holder of uncertificated GDSs. Alternatively, upon receipt by the Depositary of a proper instruction from a registered holder of uncertificated GDSs requesting the exchange of uncertificated GDSs for certificated GDSs, the Depositary will execute and deliver to the GDS holder a GDR evidencing those GDSs.

VOTING RIGHTS

GDS holders may instruct the Depositary how to vote the number of deposited Shares their GDSs represent. If we request the Depositary to solicit your voting instructions (and we are not required to do so), the Depositary will notify you of a Shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how GDS holders may instruct the Depositary how to vote. For instructions to be valid, they must reach the Depositary by a date set by the Depositary. The Depositary will try, as far as practical, subject to the relevant ROC laws and regulations and the provisions of our Articles of Incorporation or similar documents, to vote or to have its agents vote the Shares or other deposited securities as instructed by GDS holders. If we do not request the Depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the Depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the Depositary as described above, you won't be able to exercise voting rights unless you surrender your GDSs and withdraw the Shares. However, you may not know about the meeting enough in advance to withdraw the Shares. In any event, the Depositary will not exercise any discretion in voting deposited securities, and it will only vote or attempt to vote as instructed or as described in the following sentence. If we asked the Depositary to solicit your instructions at least 45 days before the meeting date but the Depositary does not receive voting instructions from you by the specified date, it will consider you to have authorized and directed it to give a discretionary proxy to a person designated by us to vote the number of deposited securities represented by your GDSs. The Depositary will give a discretionary proxy in those circumstances to vote on all questions at to be voted upon unless we notify the Depositary that:

- we do not wish to receive a discretionary proxy;
- there is substantial Shareholder opposition to the particular question; or
- the particular question would have an adverse impact on our Shareholders.

We are required to notify the Depositary if one of the conditions specified above exists.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote your Shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise voting rights and that there may be nothing you can do if your Shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to deposited securities, if we request the Depositary to act, we agree to give the Depositary notice of any such meeting and details concerning the matters to be voted upon at least 45 days in advance of the meeting date. The Depositary shall, as soon as practicable thereafter, disseminate to you such a notice.

FEES AND EXPENSES

As a GDS holder, you will be required to pay the following fees to the Depositary under the terms of the Deposit Agreement:

Services	Fees (in US Dollars)
Issuance of GDSs, including issuances resulting from a distribution of Shares or rights or other property	\$5.00 (or less) per 100 GDSs (or portion of 100 GDSs)
Cancellation of GDSs for the purpose of withdrawal, including if the Deposit Agreement terminates	\$5.00 (or less) per 100 GDSs (or portion of 100 GDSs)
Any cash distribution to GDS holders	\$0.05 (or less) per GDS
Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the Depositary to GDS holders	A fee equivalent to the fee that would be payable if securities distributed to you had been Shares and the Shares had been deposited for issuance of GDSs

Depositary services	$0.05 (or less) per GDS per calendar year
Converting foreign currency to US Dollars	Expenses of the Depositary

As a GDS holder, you may also be responsible for the followings charges and expenses:

- fees for transfer and registration of Shares on our share registrar to or from the name of the Depositary or its agent when you deposit or withdraw Shares;
- expenses incurred by the Depositary for cable, telex and facsimile transmissions (when expressly provided in the Deposit Agreement);
- taxes and other governmental charges the Depositary or the Custodian has to pay on any GDSs or underlying Shares, such as stock transfer taxes, stamp duty or withholding taxes; and
- any charges incurred by the Depositary or its agents for servicing the deposited securities.

The Depositary collects its fees for delivery and surrender of GDSs directly from investors depositing Shares or surrendering GDSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may collect any of its fees and charges by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to GDS holders that are obligated to pay those fees. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the Depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the GDS program, waive fees and expenses for services provided to us by the Depositary or share revenue from the fees collected from GDS holders. In performing its duties under the Deposit Agreement, the Depositary may use brokers, dealers, foreign currency or other service providers that are owned by or affiliated with the Depositary and that may earn or share fees, spreads or commissions.

The Depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained in any currency conversion under the Deposit Agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to GDS holders, subject to the Depositary's obligations under the Deposit Agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

TAXES

You will be responsible for any taxes or other governmental charges payable on your GDSs or on the deposited securities represented by any of your GDSs. The Depositary may refuse to register any transfer of your GDSs or allow you to withdraw the deposited securities represented by your GDSs until those taxes or other charges are paid. The Depositary may apply payments owed to you or sell deposited securities represented by your GDSs to pay any taxes owed, and you will remain liable for any deficiency. If the Depositary sells deposited securities, it will, if appropriate, reduce the number of GDSs to reflect the sale and pay to GDS holders any proceeds, or send to GDS holders any remaining property after it has paid the taxes.

TENDER AND EXCHANGE OFFERS; REDEMPTION, REPLACEMENT OR CANCELLATION OF DEPOSITED SECURITIES

The Depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do so by a GDS holder surrendering GDSs and subject to any conditions or procedures the Depositary may establish as well as the applicable laws.

If deposited securities are redeemed for cash in a transaction that is mandatory for the Depositary as a holder of deposited securities, the Depositary will call for surrender of a corresponding number of GDSs and distribute the net redemption money to the holders of called GDSs upon surrender of those GDSs.

If there is any change in the deposited securities such as a sub-division, combination or other reclassification, or any merger, consolidation, share swap, recapitalization or reorganization affecting the issuer of deposited securities in which the Depositary receives new securities in exchange for or in lieu of the old deposited securities, to the extent permitted and feasible under applicable laws, the Depositary will hold those replacement securities as deposited securities under the Deposit Agreement. However, if the Depositary decides that it would not be lawful to hold the replacement securities because those securities could not be distributed to GDS holders or for any other reason, the Depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the GDSs.

If there is a replacement of the deposited securities and the Depositary will continue to hold the replacement securities, the Depositary may distribute new GDSs representing the new deposited securities or ask you to surrender your outstanding GDRs in exchange for new GDRs identifying the new deposited securities.

If there are no deposited securities underlying the GDSs, including if the deposited securities are cancelled, or if the deposited securities underlying the GDSs have become apparently worthless, the Depositary may call for surrender or of those GDSs or cancel those GDSs upon notice to the GDS holders.

AMENDMENT AND TERMINATION

Amendment

We may agree with the Depositary to amend the Deposit Agreement and the GDRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the Depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of GDS holders, it will not become effective for outstanding GDSs until 30 days after the Depositary notifies GDS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your GDSs, to agree to the amendment and to be bound by the GDRs and the Deposit Agreement as amended.

Termination

The Depositary will initiate termination of the Deposit Agreement if we instruct it to do so. The Depositary may initiate termination of the Deposit Agreement if:

- 60 days have passed since the Depositary told us that it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist our Shares from an exchange on which they were listed and do not list the Shares on another exchange;
- we appear to be insolvent or enter into insolvency proceedings;
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the GDSs, or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

The Company should give notices of delisting of its Shares to the Depositary and Custodian by delivery of the relevant notice to Euroclear, Clearstream and SGX-ST for communication to persons entitled thereto. The Depositary will receive a payment from the Company and then distribute any cash payment it receives to the GDS holders in accordance with the relevant provisions of the Deposit Agreement.

If the Deposit Agreement will terminate, the Depositary will notify the GDS holders at least 90 days before the termination date. At any time after the termination date, the Depositary may sell the deposited securities. After that, the Depositary will hold the money it received on the sale, as well as any other cash it is holding under the Deposit Agreement, unsegregated and without liability for interest, for the pro rata benefit of the GDS holders that have not surrendered their GDSs. Normally, the Depositary will sell as soon as practicable after the termination date.

After the termination date and before the Depositary sells, subject to the then applicable ROC laws, GDS holders can still surrender their GDSs and receive delivery of deposited securities, except that the Depositary may refuse to accept a surrender for the purpose of withdrawing deposited securities if it would interfere with the selling process. The Depositary may refuse to accept surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The Depositary will continue to collect distributions on deposited securities, but, after the termination date, the Depositary is not required to register any transfer of GDSs or distribute any dividends or other distributions on deposited securities to the GDSs holders (until they surrender their GDSs) or give any notices or perform any other duties under the Deposit Agreement except as described in this paragraph.

LIMITATIONS ON OBLIGATIONS AND LIABILITIES

The Deposit Agreement expressly limits our obligations and the obligations of the Depositary. It also limits our liability and the liability of the Depositary. We and the Depositary:

- are only obligated to take the actions specifically set forth in the Deposit Agreement without negligence or bad faith;

- are not liable if we are or it is prevented or delayed by law or circumstances beyond our or its control from performing our or its obligations under the Deposit Agreement;

- are not liable if we or it exercises discretion permitted under the Deposit Agreement;

- are not liable for the inability of any GDS holder to benefit from any distribution on deposited securities that is not made available to GDS holders under the terms of the Deposit Agreement, or for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement;

- have no obligation to become involved in a lawsuit or other proceeding related to the GDSs or the Deposit Agreement on your behalf or on behalf of any other person;

- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and

- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the Deposit Agreement, we and the Depositary agree to indemnify each other under certain circumstances.

Before the Depositary will deliver or register a transfer of GDSs, make a distribution on GDSs, or permit withdrawal of Shares, the Depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any Shares or other deposited securities;

- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

- compliance with regulations that may establish, from time to time, consistent with the Deposit Agreement, including presentation of transfer documents.

The Depositary may refuse to deliver GDSs or register transfers of GDSs when the transfer books of the Depositary or our transfer books are closed or at any time if the Depositary or we think it advisable to do so.

YOUR RIGHTS TO RECEIVE THE UNDERLYING SHARES

After the Effective Time, GDS holders have the right to cancel their GDSs and withdraw the underlying Shares at any time except:

- when temporary delays arise because: (i) the Depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of Shares is blocked to permit voting at a Shareholders' meeting; or (iii) we are paying a dividend on our Shares;

- when you owe money to pay fees, taxes and similar charges; or

- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to the GDSs or to the withdrawal of Shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the Deposit Agreement.

PRE-RELEASE OF GDSs

The Deposit Agreement permits the Depositary to deliver GDSs before deposit of the underlying Shares. This is called a pre-release of the GDSs. The Depositary may also deliver Shares upon cancellation of pre-released GDSs (even if the GDSs are canceled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying Shares are delivered to the Depositary. The Depositary may receive GDSs instead of Shares to close out a pre-release. The Depositary may pre-release GDSs only under the following conditions: (i) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the Depositary in writing that it or its customer owns the Shares or GDSs to be deposited; (ii) the pre-release is fully collateralized with cash or other collateral that the Depositary considers appropriate; and (iii) the Depositary must be able to close out the pre-release on not more than five business days' notice. In addition, the Depositary will limit the number of GDSs that may be outstanding at any time as a result of pre-release, although the Depositary may disregard the limit from time to time if it thinks that it is appropriate to do so.

DIRECT REGISTRATION SYSTEM

In the Deposit Agreement, all parties to the Deposit Agreement acknowledge that the direct registration system ("**DRS**") and the profile modification system ("**Profile**"), will apply to the GDSs if they become DTC eligible. DTC refers to the Depository Trust Company or its successor. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated GDSs and holding of security entitlements in GDSs through DTC and a DTC participant. The Profile is a feature of DRSs that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated GDSs, to direct the Depositary to register a transfer of those GDSs to DTC or its nominee and to deliver those GDSs to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the GDS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the Deposit Agreement understand that the Depositary will not determine whether the DTC participant that is claiming to be acting on behalf of a GDS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the GDS holder (notwithstanding any requirements under the *Uniform Commercial Code*). In the Deposit Agreement, the parties agree that the Depositary's reliance on and compliance with instructions received by the Depositary through the DRS/Profile system and in accordance with the Deposit Agreement will not constitute negligence or bad faith on the part of the Depositary.

SHAREHOLDER COMMUNICATIONS; INSPECTION OF REGISTER OF GDS HOLDERS

The Depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The Depositary will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of GDS holders, but not for the purpose of contacting those GDS holders about a matter unrelated to our business or the GDSs.

DISCLOSURE OF INTERESTS

In order to comply with applicable laws and regulations or our Articles of Incorporation or other constitutional documents, we may from time to time request you to provide to the Depositary information relating to: (a) the capacity in which you hold the GDSs, (b) the identity of any holders or other persons or entities then or previously interested in those GDSs and the nature of those interests and (c) any other matter where disclosure of such matter is required for such compliance. You shall provide all information known to you in response to a request made pursuant to the Deposit Agreement. You shall also consent to the disclosure by the owner or any other holder through which you hold the GDSs, directly or indirectly, of all information responsive to a request made pursuant to the Deposit Agreement relating to that holder that is known to that owner or other holder. The Depositary agrees to use reasonable efforts, at our expense, to comply with written instructions requesting that the Depositary forward any request authorized under the Deposit Agreement to the owners of the GDSs and to forward to us any responses it receives in response to that request.

INFORMATION RELATING TO THE DEPOSITARY

The Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Department of Financial Services. The Depositary was constituted in 1784 in the State of New York. It is a wholly owned subsidiary of The Bank of New York Mellon Corporation, a Delaware bank holding company. The principal office of the Depositary is located at 225 Liberty Street, New York, New York 10286, United States. Its principal administrative offices are located at 101 Barclay Street, New York, New York 10286, United States. A copy of the Depositary's articles of association, as amended, together with copies of The Bank of New York Mellon Corporation's most recent financial statements and annual report are available for inspection at the principal office of the Depositary located at 225 Liberty Street, New York, New York 10286, United States and at The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult a legal counsel prior to making any offer, resale, pledge or other transfer of the GDSs.

Except in certain limited circumstances, interests in the GDSs may only be held through owning beneficial interests in the Master GDR, and such interests in the Master GDR will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants.

Each purchaser of GDSs, by accepting delivery of such GDSs, will be deemed to have acknowledged and represented to and agreed as follows (terms used herein that are defined in Regulation S are used as defined therein):

- the GDSs and the Shares represented thereby have not been, and will not be, registered under the *U.S. Securities Act* or any other securities laws and are being offered for resale in transactions that do not require registration under the *U.S. Securities Act* and any other securities laws;

- unless so registered, the GDSs or the Shares represented thereby may not be offered, sold or otherwise transferred in the United States except under an exemption from the registration requirements of the *U.S. Securities Act* or any other applicable securities laws;

- each owner will not offer, sell, pledge or otherwise transfer any interest in the GDSs except as permitted by the applicable legend set forth below;

- it is located outside of the United States and is purchasing GDSs in an offshore transaction in accordance with Regulation S; and

- the GDRs will bear legends to the following effect, unless we determine otherwise in compliance with applicable laws and regulations, and each purchaser it will observe the restrictions contained therein:

  THE REGULATION S GLOBAL DEPOSITARY SHARES EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY ("SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THOSE SECURITIES MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD (DEFINED AS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE GLOBAL DEPOSITARY SHARES OF THE RELEVANT CLASS) EXCEPT OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT.

  UPON THE EXPIRATION OF THE RESTRICTED PERIOD, THE REGULATION S GLOBAL DEPOSITARY SHARES EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY SHALL NO LONGER BE SUBJECT TO THE

RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND IF, AT THE TIME OF SUCH EXPIRATION, THE OFFER AND SALE OF THE REGULATION S GLOBAL DEPOSITARY SHARES EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY BY THE HOLDER THEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES.

ROC TAXATION

The following is a summary under present law of the principal ROC tax consequences of the ownership and disposition of GDSs and Shares to a non-resident individual or a non-resident entity that owns such GDSs or Shares (each a "**Non-ROC Holder**"). As used in this section, a "non-resident individual" (a "**Non-resident Individual**") is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year. A "non-resident entity" (a "**Non-resident Entity**") is a corporation or a non-corporate body that is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC. Prospective purchasers of the GDSs should consult their tax advisers concerning the ROC tax consequences of owning the GDSs or Shares and the laws of any other relevant taxing jurisdictions to which they are subject.

DIVIDENDS

Dividends (whether cash dividends or stock dividends) declared by us out of retained earnings and distributed to a Non-ROC Holder are subject to ROC income tax collected by way of withholding at the time of distribution, currently at a rate of 20%, on the amount of the distribution (in the case of cash dividends) or on the par value of the distributed Shares (in the case of stock dividends). We are subject to a 10% retained earnings tax on our after-tax earnings that are not distributed in the following year. The retained earnings tax so paid reduces the retained earnings available for future dividends. To the extent dividends are paid out of retained earnings that have been subject to the retained earnings tax, up to a maximum amount of half of the amount of such tax will be used by us to offset a Non-ROC Holder's withholding tax liability on such dividend.

Dividends paid by us out of our capital reserves which are derived from the issuance of Shares at a premium are not subject to ROC withholding tax.

SALE

GDSs

Transfer of GDSs are not subject to ROC securities transaction tax. Gains on the sale of GDSs are not subject to ROC income tax.

Shares

Securities transaction tax will be withheld at the rate of 0.3% of the transaction price upon a sale of Shares. Notwithstanding, effective 28 April 2017, in terms of day-trading, the securities transaction tax withheld upon sale of the shares of the same type and the same amount as the shares purchased on such business day will only be at the rate of 0.15%. This special tax treatment will be valid for one year. Effective 1 January 2016, capital gains from transaction in Shares is exempted from income tax. Non-resident Individuals and Non-resident Entities are further exempted from AMT.

PRE-EMPTIVE RIGHTS

Distributions of statutory subscription rights for the shares in compliance with the *ROC Company Act* are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities by a Non-ROC Holder is subject to securities transactions tax, currently at the rate of 0.3% of the gross amount received. Capital gains derived from such sale is exempted from income tax. Non-resident Individuals and Non-resident Entities are further exempted from AMT. Proceeds derived from sales of statutory subscription rights which are not evidenced by securities are subject to capital gains tax at the rate of 20% of the gains realized by a Non-ROC Holder and by a Non-resident Individual. Subject to compliance with the applicable ROC laws and regulations, we have the sole discretion to determine whether statutory subscription rights are evidenced by securities.

TAX TREATIES

At present, the ROC does not have a double taxation treaty with the United States, but it does have double taxation treaties with Indonesia, Singapore, Sweden, Senegal, Belgium, Denmark, South Africa, Australia, Vietnam, New Zealand, Malaysia, Swaziland, Macedonia, Gambia, the Netherlands, the United Kingdom, Israel, Paraguay, Hungary, France, India, Slovakia, Switzerland, Germany, Thailand, Kiribati, Luxembourg, Italy, Japan, Canada, Poland and Austria which generally have reduced the rate of withholding tax on dividends and interests paid by ROC companies to residents of these countries. It is unclear whether a Non-ROC Holder of GDSs will be considered an owner of Shares for the purposes of such treaties. Accordingly, residents of these countries should consult their tax advisers concerning their eligibility for benefits under the relevant treaty.

ESTATE TAXATION AND GIFT TAX

Subject to allowable exclusions, deductions and exemptions, ROC estate tax is payable on any property within the ROC of a deceased Non-resident Individual, and ROC gift tax is payable on any property within the ROC donated by a Non-residential Individual. Effective 12 May 2017, the estate tax is subject to a progressive tax rate from 10% to 20% with a deduction of NT$12 million; and gift tax is subject to a progressive tax rate from 10% to 20% with a deduction of NT$2,200,000. Under ROC estate and gift tax laws, the Shares will be deemed to be located in the ROC without regard to the location of the owner. It is unclear whether a holder of GDSs will be considered an owner of Shares for this purpose.

TAX GUARANTOR

Any holder of GDSs withdrawing Shares represented by such GDSs is required under the current ROC laws and regulations to appoint an agent in the ROC. Such agent must meet certain qualifications set by the ROC Ministry of Finance and, upon appointment, becomes a guarantor of such withdrawing holder’s ROC tax obligations. Evidence of the appointment of such agent and the approval for such appointment by the ROC tax authorities may be required as conditions to such withdrawing holder’s repatriation of the proceeds from the sale of withdrawn Shares. There can be no assurance that such withdrawing holder will be able to appoint and obtain approval for the agent in a timely manner.

Under the current ROC laws and regulations, repatriation of profits by any Shareholders sold within the ROC is subject to the submission of evidence of the appointment of a tax guarantor to, and approval thereof by, the tax authority or submission of tax clearance certificates to the tax authority. Notwithstanding the above requirements for the appointment of a tax guarantor or submission of tax clearance certificates as provided in the ROC regulations, the CBC has not required submission of such evidence or tax clearance certificates as a condition to repatriation of sale proceeds of shares from sales that take place within the ROC. However, there can be no assurance that the CBC will not require submission of such evidence or tax clearance certificates in the future.

PLAN OF DISTRIBUTION

The Sole Lead Manager has, pursuant to a subscription agreement dated 7 September 2017 (the "**Subscription Agreement**"), agreed with the Company to subscribe and purchase the GDSs at the issue price of US$17.31 per GDS less a combined management, underwriting commission and selling concession of 1.24% of the proceeds, subject to certain applicable reimbursements. The Subscription Agreement entitles the Sole Lead Manager to terminate the Subscription Agreement in certain circumstances, including failure to fulfill certain conditions precedent, prior to payment being made to us. The price at which the GDSs are offered may be changed at any time without notice.

The GDSs may be offered and sold outside the United States in transactions that are not subject to registration requirements of the *U.S. Securities Act* pursuant to Regulation S thereunder. The offering of the GDSs is made for delivery, when, as and if accepted and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice.

The Company and the Sole Lead Manager have represented and agreed in connection with the offering that they have not engaged, and will not engage, in any directed selling efforts (as defined in Regulation S) of the GDSs. The Company and the Sole Lead manager have represented and agreed in connection with the offering that none of their respective affiliates or any person acting on their behalf or on behalf of any of their respective affiliates have engaged, and will not engage, in such directed selling efforts in connection with the offering.

The Company has agreed that, for a period of 90 days after the date of the Subscription Agreement, it will not, without the prior written consent of the Sole Lead Manager, and will not announce its intention to, directly or indirectly: (i) issue, offer, pledge, encumber, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, any (a) GDSs, (b) Shares or securities convertible into or exercisable or exchangeable for Shares, (c) securities of the same class as the GDSs or Shares, or (d) other instruments representing interests in securities of the same class as the GDSs or Shares (collectively, the "**Lock-up Securities**"); (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-up Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the GDSs or Shares or such other securities, in cash or otherwise; or (iii) offer or agree to do any of the foregoing or announce any intention to do so. However, the foregoing sentence shall not apply to: (i) the issuance and sale of the GDSs under the Subscription Agreement; (ii) the issuance of employee bonus shares, employee shares with restrictive rights or share dividends that have been declared prior to the date of the Subscription Agreement in accordance with our Articles of Incorporation; or (iii) the issuance of employee stock options and the related issuance of Shares upon any exercise of such stock options, pursuant to any employee stock option plan adopted by our board of directors.

SELLING RESTRICTIONS

General

No action has been or will be taken in any jurisdiction by us that would permit a public offering of the GDSs, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the GDSs, in any country or jurisdiction where an action for the purpose is required. Accordingly, the GDSs may not be offered or sold, directly or indirectly, and neither this

Offering Circular nor any other offering or publicity material relating to the GDSs may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction.

United States

Neither the GDSs nor the underlying Shares have been or will be registered under the *U.S. Securities Act*. The GDSs are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the *U.S. Securities Act*. Accordingly, no directed selling efforts have been , or will be, made in the United States by us, the Sole Lead Manager, any of our or its respective affiliates or any person acting on behalf of any of the foregoing. Terms used in this paragraph have the same meaning given to them by Regulation S under the *U.S. Securities Act*.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the *Prospectus Directive* (each, a "**Member State**"), with effect from and including the date on which the *Prospectus Directive* is implemented in that Member State, an offer of GDSs to the public may not be made in that Member State, other than: (i) to any legal entity which is a qualified investor as defined in the *Prospectus Directive*; (ii) to fewer than 100 or, if the Member State has implemented the relevant provision of the *2010 PD Amending Directive*, 150, natural or legal persons (other than qualified investors as defined in the *Prospectus Directive*), as permitted under the *Prospectus Directive*, subject to obtaining the prior consent of the Sole Lead Manager for any such offer; or (iii) in any other circumstances falling within Article 3 of the *Prospectus Directive*, provided that no such offer of GDSs shall require us or the Sole Lead Manager to publish a prospectus pursuant to Article 3 of the *Prospectus Directive*.

For the purposes of the above, the expression an "offer of GDSs to the public" in relation to any of the GDSs in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the GDSs to be offered so as to enable an investor to decide to purchase or subscribe for the GDSs, as the same may be varied in that Member State by any measure implementing the *Prospectus Directive* in that Member State, the expression "*Prospectus Directive*" means *Directive 2003/71/EC* (and amendments thereto, including the *2010 PD Amending Directive*, to the extent implemented in the relevant Member State) and includes any relevant implementing measure in that Member State, and the expression "*2010 PD Amending Directive*" means *Directive 2010/73/EU*.

United Kingdom

No invitation or inducement to engage in investment activity (within the meaning of Section 21 of the *Financial Services and Markets Act 2000*) in connection with the issuance or sale of the GDSs or the underlying Shares may be communicated or caused to be communicated except in circumstances in which Section 21(1) of the *Financial Services and Markets Act 2000* does not apply to us. All applicable provisions of the *Financial Services and Markets Act 2000* must be complied with respect to anything done or to be done by us in relation to any GDSs or any underlying Shares in, from or otherwise involving the United Kingdom.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the GDSs may not be circulated or distributed, nor may the GDSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the *Securities and Futures Act, Chapter 289 of Singapore* (the "**SFA**"); (ii) to a relevant person (as defined in Section 275(2) of the *SFA*) pursuant to Section 275(1) of the *SFA*, or any person pursuant to Section 275(1A) of the *SFA*, and in accordance with the conditions specified in Section 275 of the *SFA*; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the *SFA*.

Where the GDSs are subscribed or purchased under Section 275 of the *SFA* by a relevant person which is: (i) a corporation (which is not an accredited investor (as defined in Section 4A of the *SFA*)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments, and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the *SFA*) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the GDSs pursuant to an offer made under Section 275 of the *SFA* except: (a) to an institutional investor or to a relevant person defined in Section 275(2) of the *SFA*, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the *SFA*; (b) where no consideration is or will be given for the transfer; (c) where the transfer is by operation of law; (d) as specified in Section 276(7) of the *SFA*; or (e) as specified in Regulation 32 of the *Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore*.

The restriction above applies to both primary and secondary markets and, for the avoidance of doubt, excludes retail participation in trading of the GDSs on the SGX-ST even beyond the six-month period contemplated under Section 276 of the *SFA*.

Japan

The GDSs have not been and will not be registered under the *Securities and Exchange Law of Japan*. The GDSs may not be offered or sold, directly or indirectly, in Japan or for the account of any resident thereof except pursuant to any exemption from the registration requirements of the *Securities and Exchange Law of Japan* and otherwise in compliance with applicable provisions of Japanese law. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

ROC

The GDSs may not be offered, sold or delivered, at any time, directly or indirectly, in the ROC.

Hong Kong

This Offering Circular has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, the GDSs may not be offered or sold in Hong Kong, by means of any document, other than: (i) to "professional investors" as defined in the *Securities and Futures Ordinance (Cap. 571) of Hong Kong* and any rules made under the *Ordinance*; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the *Companies Ordinance (Cap. 32) of Hong Kong* or which do not constitute an offer to the public within the meaning of the *Ordinance*. No advertisement, invitation or document relating to the GDSs that is directed at, or the contents of which are likely to be assessed or read by, the public in Hong Kong may be issued or be in the possession of any person, whether in Hong Kong or elsewhere, except if permitted to do so under the securities laws of Hong Kong, other than with respect to the GDSs that are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the *Securities and Futures Ordinance (Cap. 571) of Hong Kong* and any rules made under that *Ordinance*.

PRC

This Offering Circular may not be circulated or distributed in the PRC, and the GDSs may not be offered or sold, directly or indirectly, to any resident of the PRC or to persons for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

United Arab Emirates

The GDSs may not be offered, sold, publicly promoted, subscribed for, transferred or delivered in the United Arab Emirates other than in compliance with any laws of the United Arab Emirates governing the issuance, offering, sale, subscription for, transfer and delivery of securities.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN THE TAIWAN IFRS AND THE IFRS

Our consolidated financial statements for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 are prepared and presented in accordance with the Taiwan IFRS. The Taiwan IFRS and the IFRS differ in certain significant respects. A brief description of certain significant differences between the Taiwan IFRS and the IFRS is set forth below. The summary does not and is not intended to provide a comprehensive listing of all existing or future differences between the Taiwan IFRS and the IFRS, including those specifically relating to the Company or to the industries in which we operate. No attempt has been made to identify: (a) future differences between the Taiwan IFRS and the IFRS as a result of prescribed changes in accounting standards; or (b) disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in the financial statements of the Company or the notes thereto. Further, had we undertaken to identify the differences specifically affecting the financial statements presented in this Offering Circular, other potentially significant differences which are not in the following summary may have come to our attention. Accordingly, there can be no assurance that this summary provides a complete description of all differences which may have a significant impact on our financial statements. Management has not quantified the effects of the differences between the Taiwan IFRS and the IFRS on any of the financial results of the Company.

Subject	The Taiwan IFRS	The IFRS
Tax on undistributed earnings	Under the Taiwan IFRS, ROC companies are subject to 10% surtax on profits earned and retained since 31 December 1997. If the retained profits are distributed to shareholders in the fiscal year following the year of earnings, the surtax could be avoided. If the earnings are not fully distributed to shareholders, surtax is recorded as income tax expenses in the fiscal year when shareholders' decision on distribution is made.	Under the IFRS, current and deferred tax assets and liabilities are measured at the tax rate applicable to the undistributed profits. Consequently, tax on undistributed earnings should be accrued during the period the earnings arise and adjusted to the extent of the distributions approved by shareholders in the following year.
Recoverable amount disclosures for non-financial assets	As IAS 36 "Recoverable Amount Disclosures for Non-financial Assets" has been endorsed by the ROC FSC for application starting from 2017, there are no such requirements for the years ended 31 December 2014, 2015 and 2016.	Under the IFRS, an entity is required to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. Such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, a company is required to disclose the discount rate used in measurements of the recoverable amount based on the fair value less costs of disposal measured using a present value technique.

LEGAL MATTERS

Certain legal matters in connection with this offering as to ROC laws and regulations, including the validity of the Shares underlying the GDSs offered by this Offering Circular, will be passed upon for us by Chen & Lin Attorneys-at-Law. Certain legal matters in connection with this offering as to the laws of the State of New York and United States federal law, including the validity of GDSs offered by this Offering Circular, will be passed upon for the Sole Lead Manager by Troutman Sanders.

INDEPENDENT AUDITORS

Our consolidated financial statements as of 31 December 2014, 2015 and 2016 and for the years ended 31 December 2014, 2015 and 2016 included in this Offering Circular have been audited by Deloitte & Touche, independent auditors, as indicated in their reports with respect thereto, included herein. Such reports express an unmodified opinion on the financial statements.

Deloitte & Touche is located at 6th Floor, Allied Association Industries, 2 Prosperity Road 1, Hsinchu Science-Based Industrial Park, Hsinchu, Taiwan, Republic of China. Deloitte & Touche is a member of the Taiwan CPA Association.

With respect to our unaudited consolidated interim financial statements as of and for the six months ended 30 June 2016 and 2017 including in this Offering Circular, Deloitte & Touche, the independent accountants, have reported that they have applied limited procedures in accordance with professional standards for a review of such financial statements in accordance with ROC Statement of Auditing Standards No. 36, "Review of Financial Statements." Such review report also included an explanatory paragraph relating to convenience translation of NT Dollar amounts into US Dollar amounts.

GENERAL INFORMATION

1. We are a company limited by shares and incorporated under the laws of the ROC on 17 May 2005. As of the date of this Offering Circular, our authorized share capital approved by our interim Shareholders' meeting on 8 February 2017 was 700,000,000 Shares, NT$10 par value, with a paid-in share capital of NT$5,157,285,000. Our registered and principal executive office is located at No. 13, Mujhangang West Road, Shanhua Town, Tainan City 74148, Taiwan, and our telephone number at the above address is (886)-6-588-9988. Taishin International Bank currently acts as our share registrar and maintains our Shareholders' register at its offices in Taipei, Taiwan, and enters transfers of our Shares in such register upon presentation of, among other documents, certificates in respect of the transferred Shares. The registered office of our share registrar is at B1, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei 10489, Taiwan. The uniform registry number assigned to us is 27790294.

2. The issuance and offering of the GDSs and the issuance of the Shares underlying the GDSs were authorized and approved by our Shareholders at the interim Shareholders' meeting held on 8 February 2017 and were approved by the ROC FSC on 30 March 2017.

3. The Subscription Agreement is governed by the laws of the State of New York.

4. Other than as set forth in this Offering Circular, there has been no significant developments in our financial or trading position or material information contained in the announcements made to the TWSE since 31 December 2016, the date of our latest audited financial statements.

5. We are not and have not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) which may have, or have had, during the 12 months preceding the date of this Offering Circular, a significant effect on our financial position or profitability.

6. All consents, approvals, authorizations or other orders of all regulatory authorities required by us under ROC law have been given for the issuance of the GDSs and for us to perform our obligations under the Deposit Agreement.

7. A copy of the Depositary's charter, as amended, together with copies of the most recent financial statements and annual report of The Bank of New York Mellon Corporation are available for inspection at the Depositary's office located at 225 Liberty Street, New York, New York 10286, United States so long as the GDSs are listed on the Official List of the SGX-ST.

8. The entity in charge of keeping the records of the GDSs is The Bank of New York Mellon located at 101 Barclay Street, New York, New York 10286, United States.

9. The GDSs have been accepted for clearance and settlement through Euroclear and Clearstream. The Common Code for the GDSs is 162255070. The ISIN Code for the GDSs is US16935L1098.

10. Approval in-principle has been received for the listing and quotation of the GDSs on the SGX-ST. Notwithstanding their listing on the SGX-ST, the GDSs will be traded over-the-counter. The SGX-ST assumes no responsibility for the correctness of any of the statements made or

opinions or reports contained in this Offering Circular. Admission of the GDSs to the Official List of the SGX-ST and quotation of the GDSs on the SGX-ST are not to be taken as an indication of the merits of the GDSs or the Issuer.

11. The underlying Shares of the Company in which the GDSs represent an interest will be issued and listed on the TWSE concurrently or prior to the listing of the GDSs on the SGX-ST.

12. Except as described under "Transfer Restrictions," the Shares underlying the GDSs are freely transferrable, validly issued and free from any liens or encumbrances.

13. Except as described under "Transfer Restrictions," the GDSs are freely transferrable and free from all liens.

14. For as long as the GDSs are listed on the SGX-ST, we will comply with Rules 252 and 253 of the *SGX-ST Listing Rules*.

INDEX TO FINANCIAL STATEMENTS

Chi Mei Materials Technology Corporation and Subsidiaries

Consolidated Financial Statements for the
Years Ended December 31, 2014, 2015 and 2016 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chi Mei Materials Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Chi Mei Materials Technology Corporation (CMMT) and its subsidiaries (collectively referred to as the Corporation), which comprise the consolidated balance sheets as of December 31, 2014, 2015 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2014, 2015 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Corporation's consolidated financial statement for the year ended December 31, 2016 are stated as follows:

Timing of Revenue Recognition

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

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

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

2. Evaluated and tested the design and operating effectiveness of internal controls over revenue recognition;

3. Selected all samples of shipments before and after the year-end for a specific period of time and vouched for supporting evidence and records to ensure the accuracy of the timing of revenue recognition;

4. Evaluated if the risk and rewards of ownership for the goods had been transferred.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International

Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Hsinchu, Taiwan
Republic of China

March 31, 2017

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014, 2015 AND 2016
(In Thousands)

ASSETS	2014 NT$	2015 NT$	2016 NT$	2016 US$ (Note 4)
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 28)	$ 3,923,598	$ 2,932,147	$ 4,341,520	$ 142,907
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 28)	-	6,326	167,266	5,506
Available-for-sale financial assets - current (Notes 4, 8 and 28)	66,063	200,993	12,028	396
Accounts receivable, net (Notes 4, 5, 9 and 28)	4,581,261	3,522,112	2,979,938	98,089
Other receivables (Notes 4 and 9)	36,707	47,241	106,359	3,501
Other receivables - related parties (Notes 9 and 29)	9	5	5	-
Inventories (Notes 4, 5 and 10)	2,129,542	2,077,188	2,041,903	67,212
Other current assets (Note 15)	194,798	1,110,666	827,578	27,241
Total current assets	10,931,978	9,896,678	10,476,597	344,852
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 5 and 12)	6,665,963	6,843,989	9,639,819	317,308
Goodwill (Notes 4 and 13)	8,056	8,056	8,056	265
Other intangible assets (Notes 4 and 14)	50,298	47,648	50,552	1,664
Other non-current assets (Note 15)	310,326	908,122	427,768	14,081
Total non-current assets	7,034,643	7,807,815	10,126,195	333,318
TOTAL	$ 17,966,621	$ 17,704,493	$ 20,602,792	$ 678,170

LIABILITIES AND SHAREHOLDERS' EQUITY	2014 NT$	2015 NT$	2016 NT$	2016 US$ (Note 4)
CURRENT LIABILITIES				
Short-term bank loans (Notes 16 and 28)	$ 1,575,730	$ 1,769,142	$ 3,451,626	$ 113,615
Short-term bills payable (Notes 16 and 28)	300,000	-	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 28)	4,961	-	19,822	652
Accounts payable (Notes 17 and 28)	1,667,832	1,836,329	1,864,954	61,388
Accrued profit sharing bonuses/compensation to employees and remuneration of directors and supervisors (Note 22)	60,589	31,982	-	-
Other payables (Notes 18 and 28)	633,228	814,146	804,422	26,479
Other payables - related parties (Note 29)	3,025	2,056	269	9
Current tax liabilities (Notes 4 and 23)	291,000	143,441	436	14
Provisions - current (Notes 4 and 19)	167,560	-	1,647	54
Current portion of long-term bank loans (Notes 16 and 28)	-	-	1,345,181	44,279
Other current liabilities (Note 18)	54,210	32,504	32,059	1,055
Total current liabilities	4,758,135	4,629,600	7,520,416	247,545
NON-CURRENT LIABILITIES				
Long-term bank loans (Note 16)	-	-	-	-
Deferred tax liabilities (Notes 4, 5 and 23)	67,450	141,665	82,759	2,724
Guarantee deposits	65	75	85	3
Total non-current liabilities	67,515	141,740	82,844	2,727
Total liabilities	4,825,650	4,771,340	7,603,260	250,272
EQUITY ATTRIBUTABLE TO THE OWNERS OF CMMT (Notes 4 and 21)				
Share capital				
Common shares	5,157,285	5,157,285	5,157,285	169,759
Capital surplus	405,273	400,487	453,761	14,936
Retained earnings				
Legal reserve	755,389	980,245	1,085,124	35,718
Special reserve	36,849	36,849	36,849	1,213
Unappropriated earnings	6,532,965	6,028,852	4,182,188	137,663
	7,325,203	7,045,946	5,304,161	174,594
Other equity	173,069	107,494	(202,973)	(6,681)
Total equity attributable to the owners of CMMT	13,060,830	12,711,212	10,712,234	352,608
NON-CONTROLLING INTERESTS (Notes 4 and 21)	80,141	221,941	2,287,298	75,290
Total equity	13,140,971	12,933,153	12,999,532	427,898
TOTAL	$ 17,966,621	$ 17,704,493	$ 20,602,792	$ 678,170

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

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(In Thousands, Except Earnings (Loss) Per Share)

	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
NET SALES (Notes 4 and 29)	$ 15,818,286	$ 12,747,295	$ 10,374,172	$ 341,480
COST OF SALES (Notes 10 and 22)	12,919,962	10,958,288	11,170,927	367,707
GROSS PROFIT (LOSS)	2,898,324	1,789,007	(796,755)	(26,227)
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	210,171	250,271	230,258	7,579
General and administrative expenses	179,062	179,000	206,684	6,803
Research and development expenses	329,436	277,126	338,671	11,148
Total operating expenses	718,669	706,397	775,613	25,530
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 32)	-	-	(33,870)	(1,115)
PROFIT (LOSS) FROM OPERATIONS	2,179,655	1,082,610	(1,606,238)	(52,872)
NON-OPERATING INCOME AND EXPENSES (Notes 4, 22 and 29)				
Other income	94,049	80,399	91,014	2,997
Other gains and losses	450,697	228,096	(13,608)	(448)
Finance costs	(51,548)	(24,519)	(14,639)	(482)
Total non-operating income and expenses	493,198	283,976	62,767	2,067
PROFIT (LOSS) BEFORE INCOME TAX	2,672,853	1,366,586	(1,543,471)	(50,805)
INCOME TAX EXPENSES (BENEFITS) (Notes 4, 5 and 23)	433,220	319,427	(59,609)	(1,962)
NET (LOSS) PROFIT FOR THE YEAR	2,239,633	1,047,159	(1,483,862)	(48,843)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 21)	132,926	(82,248)	(415,325)	(13,671)
Unrealized gain (loss) on available-for-sale financial assets (Note 21)	376	10,110	(11,145)	(367)
Other comprehensive income (loss) for the year, net of income tax	133,302	(72,138)	(426,470)	(14,038)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 2,372,935	$ 975,021	$ (1,910,332)	$ (62,881)
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of CMMT	$ 2,248,561	$ 1,048,795	$ (1,483,921)	$ (48,845)
Non-controlling interests	(8,928)	(1,636)	59	2
	$ 2,239,633	$ 1,047,159	$ (1,483,862)	$ (48,843)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(In Thousands, Except Earnings (Loss) Per Share)

	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of CMMT	$ 2,381,701	$ 983,220	$ (1,794,388)	$ (59,065)
Non-controlling interests	(8,766)	(8,199)	(115,944)	(3,816)
	$ 2,372,935	$ 975,021	$ (1,910,332)	$ (62,881)
EARNINGS (LOSS) PER SHARE (Note 24)				
Basic earnings (loss) per share	$ 4.36	$ 2.03	$ (2.88)	$ (0.09)
Diluted earnings (loss) per share	$ 4.34	$ 2.02	$ (2.88)	$ (0.09)

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
YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(In Thousands)

	Equity Attributable to Owners of CMMT (Note 21)										
	Share Capital			Retained Earnings			Other Equity				
	Shares (In Thousand)	Common Shares	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchanges Differences On Translation Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2014	491,170	$ 4,911,700	$ 601,741	$ 510,760	$ 36,849	$ 4,823,735	$ 39,537	$ 392	$ 10,924,714	$ 88,907	$ 11,013,621
Appropriation of 2013 earnings											
Legal reserve	-	-	-	244,629	-	(244,629)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(49,117)	-	-	(49,117)	-	(49,117)
Share dividends distributed to shareholders	24,559	245,585	-	-	-	(245,585)	-	-	-	-	-
Issue of cash dividends from capital surplus	-	-	(196,468)	-	-	-	-	-	(196,468)	-	(196,468)
Net profit for the year ended December 31, 2014	-	-	-	-	-	2,248,561	-	-	2,248,561	(8,928)	2,239,633
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	132,926	214	133,140	162	133,302
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	-	2,248,561	132,926	214	2,381,701	(8,766)	2,372,935
BALANCE AT DECEMBER 31, 2014	515,729	5,157,285	405,273	755,389	36,849	6,532,965	172,463	606	13,060,830	80,141	13,140,971
Appropriation of 2014 earnings											
Legal reserve	-	-	-	224,856	-	(224,856)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(1,289,321)	-	-	(1,289,321)	-	(1,289,321)
Differences between purchasing price and carrying amount arising from acquisition or disposal of subsidiaries	-	-	(4,786)	-	-	(35,977)	-	-	(40,763)	40,763	-
Changes in equity of subsidiaries	-	-	-	-	-	(2,754)	-	-	(2,754)	188,236	185,482
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(79,000)	(79,000)
Net profit for the year ended December 31, 2015	-	-	-	-	-	1,048,795	-	-	1,048,795	(1,636)	1,047,159
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	(76,106)	10,531	(65,575)	(6,563)	(72,138)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	1,048,795	(76,106)	10,531	983,220	(8,199)	975,021
BALANCE AT DECEMBER 31, 2015	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 2015 earnings											
Legal reserve	-	-	-	104,879	-	(104,879)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(257,864)	-	-	(257,864)	-	(257,864)
Differences between purchasing price and carrying amount arising from acquisition or disposal of subsidiaries	-	-	3,062	-	-	-	-	-	3,062	(3,062)	-
Changes in equity of subsidiaries	-	-	50,212	-	-	-	-	-	50,212	2,178,363	2,228,575
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	6,000	6,000
Net loss for the year ended December 31, 2016	-	-	-	-	-	(1,483,921)	-	-	(1,483,921)	59	(1,483,862)
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(299,353)	(11,114)	(310,467)	(116,003)	(426,470)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	(1,483,921)	(299,353)	(11,114)	(1,794,388)	(115,944)	(1,910,332)
BALANCE AT DECEMBER 31, 2016	515,729	$ 5,157,285	$ 453,761	$ 1,085,124	$ 36,849	$ 4,182,188	$ (202,996)	$ 23	$ 10,712,234	$ 2,287,298	$ 12,999,532
BALANCE AT DECEMBER 31, 2016 (in U.S. Dollars, Note 4)	16,976	$ 169,759	$ 14,936	$ 35,718	$ 1,213	$ 137,663	$ (6,682)	$ 1	$ 352,608	$ 75,290	$ 427,898

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

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(In Thousands)

	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	$ 2,672,853	$ 1,366,586	$ (1,543,471)	$ (50,805)
Adjustments for:				
Depreciation expenses	1,030,067	1,060,423	829,672	27,310
Amortization expenses	9,182	20,442	22,444	739
Impairment loss recognized on accounts receivable	-	-	1,523	50
Finance costs	51,548	24,519	14,639	482
Recognition of provisions	764,385	160,166	11,734	386
Interest income	(76,906)	(68,300)	(42,773)	(1,408)
Write-down of inventories	327,485	-	241,593	7,952
Reversal of write-down of inventories	-	(267,173)	-	-
(Gain) loss on disposal of property, plant and equipment	(140)	9	(121)	(4)
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(49,948)	(11,287)	19,550	644
Net (gain) loss on disposal of available-for-sale financial assets	(151)	(1,105)	(24,761)	(815)
Impairment loss recognized on property, plant and equipment	-	-	291,090	9,582
Net (gain) loss on foreign currency exchange	(520,360)	27,499	(530,644)	(17,468)
Changes in operating assets and liabilities:				
Accounts receivable	389,048	1,156,925	557,976	18,367
Other receivables (including related parties)	(8,187)	(7,919)	(61,093)	(2,011)
Inventories	(502,968)	331,167	(158,351)	(5,212)
Prepayments	4,459	(53,518)	(213,508)	(7,028)
Other current assets	1,677	4,270	(373,443)	(12,292)
Accounts payable	(133,786)	66,320	140,977	4,640
Provisions	(762,675)	(327,726)	(10,087)	(332)
Other payables	82,215	142,644	(44,541)	(1,466)
Other current liabilities	32,011	(21,676)	(445)	(16)
Cash generated from operations	3,309,809	3,602,266	(872,040)	(28,705)
Interest paid	(51,979)	(23,589)	(14,794)	(487)
Income tax paid	(300,986)	(392,771)	(142,302)	(4,684)
Net cash generated from (used in) operating activities	2,956,844	3,185,906	(1,029,136)	(33,876)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of available-for-sale financial assets	-	(192,820)	(1,889,200)	(62,186)
Proceeds from sale of available-for-sale financial assets	4,152	69,105	2,086,029	68,665
Purchase of financial assets designated as at fair value through profit or loss	-	-	(1,846,800)	(60,790)
Proceeds from sale of financial assets designated as at fair value through profit or loss	-	-	1,686,044	55,498
Interest received	76,906	66,723	44,747	1,473
Payments for property, plant and equipment	(310,607)	(1,072,938)	(3,285,992)	(108,163)
Proceeds from disposal of property, plant and equipment	569	5	3,951	130
Payments for intangible assets	(17,748)	(11,716)	(19,281)	(635)
Decrease (increase) in other financial assets	173,549	(855,625)	869,553	28,623
Increase in other non-current assets	-	-	(3,872)	(127)
Increase in prepayments for equipment	(372,484)	(535,329)	(344,874)	(11,352)
Increase in prepayments for leases	-	(306,508)	-	-
(Increase) decrease in refundable deposits	(53,822)	48,095	1,541	51
Net cash used in investing activities	(499,485)	(2,791,008)	(2,698,154)	(88,813)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(In Thousands)

	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term bank loans	$ -	$ 155,730	$ 1,832,269	$ 60,312
Proceeds from short-term bills payable	300,000	-	-	-
Repayments of short-term bank loans	(454,027)	-	-	-
Repayments of short-term bills payable	-	(300,000)	-	-
Proceeds from long-term bank loans	-	-	1,345,181	44,279
Proceeds from guarantee deposits received	-	10	10	-
Refunds of guarantee deposits received	(32)	-	-	-
Dividends paid to shareholders	(49,117)	(1,289,321)	(257,864)	(8,488)
Changes in non-controlling interests	-	100,340	2,234,575	73,554
Issue of cash dividends from capital surplus	(196,468)	-	-	-
Net cash (used in) generated from financing activities	(399,644)	(1,333,241)	5,154,171	169,657
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	133,242	(53,108)	(17,508)	(577)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,190,957	(991,451)	1,409,373	46,391
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,732,641	3,923,598	2,932,147	96,516
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,923,598	$ 2,932,147	$ 4,341,520	$ 142,907

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

(In Thousands, Unless Stated Otherwise)

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).

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by management of CMMT on March 31, 2017.

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

a. 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) endorsed by the Financial Supervisory Commission (FSC) in the ROC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Corporation should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC in the ROC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Continued)

Notes:

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

2. The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition dates on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

3. The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Corporation’s accounting policies, except for the following:

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

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

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.

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. The judgments made in applying aggregation criteria should be disclosed retrospectively upon the initial application of the amendment in 2017.

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

IAS 24 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 the impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. 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 relationship 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 operation after a business combination and the expected benefit on the acquisition date.

The disclosures of related party transactions and the impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Corporation continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Corporation's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Corporation has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that amendments to IFRS 4 (of which only the overlay approach can be applied), IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

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
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 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
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

Notes:

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

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"

Recognition and measurement 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 the 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 collecting of contractual cash flows and the selling 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 gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

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

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the expected credit loss model. A credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily 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 the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since 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 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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period, and the restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

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 from January 1, 2018.

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.

When IFRS 15 and the related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) 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 the 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 the 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.

4) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

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

In addition, in determining whether to recognize a deferred tax asset, the Corporation should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

- Principles for preparing consolidated financial statements

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

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

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

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

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

See Note 11 and Table 9 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

f. Inventories

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

g. Property, plant, and equipment

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

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

Freehold land is not depreciated.

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

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

h. Goodwill

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

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

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

Fair value is determined in the manner described in Note 28.

ii. Available-for-sale financial assets

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

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

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

iii. Loans and receivables

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

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

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

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the contracts are not measured at fair value through profit or loss.

l. Provisions

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

m. Revenue recognition

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Rendering of services

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

3) Interest income

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

n. Leasing

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

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

o. Borrowing costs

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

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

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

p. Government grants

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

s. U.S. dollar amounts

The translation of New Taiwan dollar (NT$) amounts into U.S. dollars in the consolidated financial statements for 2016 is included solely for the convenience of readers, and has been made at the exchange rate of NT$30.38 to US$1.00 as on March 31, 2017 as set forth in the statistical release of the U.S. Federal Reserve Board of the United States. The translation should not be construed as a representation that the NT$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Income taxes

As of December 31, 2014, 2015 and 2016, the carrying amount of deferred tax assets in relation to unused tax losses and future deductible temporary differences was NT$374,548 thousand, NT$186,481 thousand and NT$455,049 thousand (US$14,979 thousand), respectively. As of December 31, 2014, 2015 and 2016, no deferred tax asset has been recognized on tax losses and future deductible temporary differences of NT$283,579 thousand, NT$131,171 thousand and NT$444,596 thousand (US$14,634 thousand), respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Estimated impairment of accounts receivable

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

c. Fair value measurements and valuation processes

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 28.

d. Useful lives of property, plant and equipment

As described in Note 4g and Note 12, the Corporation reviews the estimated useful lives of property, plant and equipment at each balance sheet date.

e. Impairment of property, plant and equipment

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

f. Write-down of inventory

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

g. Control over subsidiaries

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

6. CASH AND CASH EQUIVALENTS

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Cash on hand	$ 445	$ 410	$ 726	$ 24
Checking accounts and demand deposits	594,897	631,041	1,861,558	61,276
Cash equivalents				
Time deposits with original maturities less than 3 months	3,328,256	2,300,696	2,350,236	77,361
Repurchase agreements collateralized by bonds	-	-	129,000	4,246
	$ 3,923,598	$ 2,932,147	$ 4,341,520	$ 142,907

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

	December 31		
	2014	2015	2016
Bank deposits	0.01%-3.08%	0.001%-2.35%	0.001%-2.01%
Repurchase agreements collateralized by bonds	-	-	1.35%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Financial assets at FVTPL - current				
Financial assets designated as at FVTPL				
Structured deposit (a)	$ -	$ -	$ 167,266	$ 5,506
Financial assets held for trading				
Derivative financial assets (not under hedge accounting)				
Foreign exchange forward contracts (b)	$ -	$ 6,326	$ -	$ -

(Continued)

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Financial liabilities at FVTPL - current				
Financial liabilities held for trading				
Derivative financial assets (not under hedge accounting)				
Foreign exchange forward contracts (b)	$ 4,961	$ -	$ 19,822	$ 652

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

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2014			
Sell	US$/JPY	2015.1.9-2015.1.23	US$ 24,000/JPY 2,851,998
December 31, 2015			
Sell	US$/JPY	2016.1.8-2016.1.25	US$ 8,000/JPY 986,160
December 31, 2016			
Sell	US$/JPY	2017.1.5-2017.2.9	US$ 22,000/JPY 2,502,460

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Current				
Domestic investments				
Mutual funds	$ 66,063	$ 10,217	$ 12,028	$ 396
Foreign investments				
Mutual funds	-	190,776	-	-
	$ 66,063	$ 200,993	$ 12,028	$ 396

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Accounts receivable	$ 4,581,261	$ 3,522,112	$ 2,981,461	$ 98,139
Less: Allowance for impairment loss	-	-	(1,523)	(50)
	$ 4,581,261	$ 3,522,112	$ 2,979,938	$ 98,089
Other receivables	$ 54,922	$ 65,456	$ 124,574	$ 4,101
Other receivables - related parties	9	5	5	-
Less: Allowance for impairment loss	(18,215)	(18,215)	(18,215)	(600)
	$ 36,716	$ 47,246	$ 106,364	$ 3,501

a. Accounts receivable

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

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

The aging of receivables was as follows:

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Less than 60 days	$ 4,581,261	$ 3,522,112	$ 2,981,461	$ 98,139
61-90 days	-	-	-	-
91-120 days	-	-	-	-

More than 120 days.....	-	-	-	-
	$ 4,581,261	$ 3,522,112	$ 2,981,461	$ 98,139

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

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

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1 and December 31, 2014 and 2015	$ -	$ -	$ -
Balance at January 1, 2016	$ -	$ -	$ -
Add: Impairment losses recognized on receivables	1,523	-	1,523
Balance at December 31, 2016	$ 1,523	$ -	$ 1,523
Balance at December 31, 2016 (in U.S. Dollars, Note 4)	$ 50	$ -	$ 50

The Corporation recognized an impairment loss on accounts receivable amounting to NT$1,523 thousand (US$50 thousand) for the year ended December 31, 2016. This amount mainly related to customers that had severe financial difficulties. The Corporation did not hold any collateral over these balances.

b. Other receivables

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

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1 and December 31, 2014, 2015 and 2016	$ 18,215	$ -	$ 18,215
Balance at December 31, 2016 (in U.S. Dollars, Note 4)	$ 600	$ -	$ 600

10. INVENTORIES

	December 31			
	2014	**2015**	**2016**	
	NT$	**NT$**	**NT$**	**US$ (Note 4)**
Finished goods	$ 597,083	$ 666,902	$ 576,187	$ 18,966
Work in progress	348,369	291,830	367,820	12,107
Raw materials	1,184,090	1,118,456	1,097,896	36,139
	$ 2,129,542	$ 2,077,188	$ 2,041,903	$ 67,212

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014, 2015 and 2016 was NT$12,919,962 thousand, NT$10,958,288 thousand and NT$10,879,837 thousand (US$358,125 thousand), respectively.

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

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Write-down of inventories (reversal of write-down of inventories)	$ 327,485	$ (267,173)	$ 241,593	$ 7,952

The reserve for inventory write-downs in the amount of NT$267,173 thousand was reversed in the cost of sales for the year ended December 31, 2015 when the related inventory items were sold.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Proportion of Ownership December 31			
Investor	**Investee**	**Nature of Activities**	**2014**	**2015**	**2016**	**Remark**
CMMT	Chimei Materials Technology (SAMOA) Corp. ("CMMTS")	Investment company	100%	100%	100%	-
	Chi Mei Visual Technology Corporation ("CMVT")	Electronic component manufacture and sale	57%	68.33%	68.33%	1)
	Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Investment company	100%	100%	100%	2)
	Chi Tsai Investment Co., Ltd. ("CTI")	Investment company	-	100%	100%	3)
CMMTS	Ningbo Chi Mei Materials Technology Co., Ltd. ("NBCMMT")	Electronic component manufacture and sale	100%	100%	100%	-
NBCMMT	Kunshan Chimei Materials Trading Corp. ("KSCMS")	Trade	100%	100%	-	5)
CMMTI	Kunshan Chimei Materials Technology Corp.("KSCMMT")	Electronic component manufacture and sale	100%	92.6%	49%	4)
KSCMMT	Kunshan Chimei Materials Trading Corp. ("KSCMS")	Trade	-	-	49%	5)
CTI	Chi Mei Visual Technology Corporation ("CMVT")	Electronic component manufacture and sale	-	15%	13%	6)

Remarks:

1) In June 2015, the Corporation acquired the stock of CMVT for NT$34,000 thousand from non-controlling interests, increasing its continuing interest from 57% to 68.33%.

2) 2) CMMTI was incorporated in the Samoa Islands in March 2014. The Corporation holds a 100% interest in CMMTI.

3) CTI was incorporated in June 2015. The Corporation holds a 100% interest in CTI.

4) KSCMMT was incorporated in June 2014 with an expected total capital of US$150,000 thousand. The

Corporation acquired 49% of KSCMMT's equity with an investment of US$73,500 thousand. Since KSCMMT was incorporated, the source of all of its paid-in capital, which amounted to US$73,500 thousand, was from investments by the Corporation, thereby leading to the Corporation's indirect holding of 100% of KSCMMT. On August 12, 2015, Kunshan Development Zone Guotou Holding Co., Ltd. ("KDZG Holding") and Kunshan Economic and Technological Development Zone Industrial Development Co., Ltd. ("KETDZID") together invested a total of US$5,871 thousand, thereby leading to the Corporation indirectly holding 92.6% of KSCMMT. On October 20, 2015, it was agreed in the Corporation's board meeting that the capital injection of US$5,871 thousand invested by KDZG Holding and KETDZID to acquire 3.91% equity and the remaining expected capital of US$70,629 thousand to acquire 47.09% equity, which had not as of yet been invested, amounting to 51% equity, would be transferred from KDZG Holding and KETDZID to Hangzhou Jin Jiang Group Co., Ltd. ("Jin Jiang Group") in the amount of 46% equity and to Zhejiang Renyuan Import & Export Co. Ltd. ("Renyuan Co.") in the amount of 5% equity, respectively. As of May 16, 2016, Jin Jiang Group and Renyuan Co. invested US$69,000 thousand and US$7,500 thousand, respectively, to raise KSCMMT's total paid-in capital to US$150,000 thousand, reaching 100% of its expected registered capital. As of December 31, 2016, the Corporation's percentage of ownership over KSCMMT is 49%.

The Corporation holds a 49% interest in KSCMMT. Based on the contractual arrangements between the Corporation and other investors, the Corporation has the power to appoint the chairman of the board and the general manager of KSCMMT who both have the power to direct the relevant activities of KSCMMT. Therefore, the directors of CMMT concluded that the Corporation has the practical ability to direct the relevant activities of KSCMMT, and hence the Corporation has control over KSCMMT.

5) NBCMMT transferred 100% of its ownership over KSCMS to KSCMMT in August 2016. As a result, the Corporation's indirect holdings of KSCMS is 49%.

6) CTI disposed of a portion of its stock in CMVT for NT$6,000 thousand (US$197 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 December 31 2014	2015	2016
Kunshan Chimei Materials Technology Corp. ("KSCMMT")	-	7.40%	51%

See Table 9 for the information on the place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31				Accumulated Non-controlling Interests December 31			
	2014	2015	2016		2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)	NT$	NT$	NT$	US$ (Note 4)
KSCMMT	$ -	$ 1,288	$ 609	$ 20	$ -	$ 183,383	$ 2,246,382	$ 73,943
Others	(8,928)	(2,924)	(550)	(18)	80,141	38,558	40,916	1,347
	$ (8,928)	$ (1,636)	$ 59	$ 2	$ 80,141	$ 221,941	$ 2,287,298	$ 75,290

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

KSCMMT:

	December 31		
	2015	2016	
	NT$	*NT$*	*US$* *(Note 4)*
Current assets	$ 1,432,299	$ 2,202,529	$ 72,499
Non-current assets	1,271,432	4,326,159	142,402
Current liabilities	(225,588)	(2,124,018)	(69,915)
Equity	$ 2,478,143	$ 4,404,670	$ 144,986
Equity attributable to:			
Owners of CMMT	$ 2,294,760	$ 2,158,288	$ 71,043
Non-controlling interests of KSCMMT	183,383	2,246,382	73,943
	$ 2,478,143	$ 4,404,670	$ 144,986
Revenue	$ -	$ 51	$ 2
Net profit (loss) for the year	$ 49,547	$ (9,987)	$ (329)
Other comprehensive income for the year	(45,088)	(350,636)	(11,541)
Total comprehensive income for the year	$ 4,459	$ (360,623)	$ (11,870)
Profit/(loss) attributable to:			
Owners of CMMT	$ 48,259	$ (10,596)	$ (349)
Non-controlling interests of KSCMMT	1,288	609	20
	$ 49,547	$ (9,987)	$ (329)
Total comprehensive income attributable to:			
Owners of CMMT	$ 19,236	$ (211,413)	$ (6,959)
Non-controlling interests of KSCMMT	(14,777)	(149,210)	(4,911)
	$ 4,459	$ (360,623)	$ (11,870)
Net cash inflows (outflows) from:			
Operating activities	$ (342,067)	$ (474,288)	$ (15,612)
Investing activities	(1,036,009)	(3,090,177)	(101,717)
Financing activities	185,871	4,146,318	136,482
Net cash (outflows) inflows	$ (1,192,205)	$ 581,853	$ 19,153

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
	NT$	*NT$*	*NT$*	*NT$*	*NT$*	*NT$*	*NT$*	*NT$*
Cost								
Balance at January 1, 2014	$ 1,428,543	$ 3,526,710	$ 4,538,970	$ 47,850	$ 3,317,500	$ 231,559	$ 295	$ 13,091,427
Additions	-	8,561	209,670	8,184	49,679	13,357	56,738	346,189
Disposals	-	-	(1,074)	(3,274)	-	(914)	-	(5,262)
Effect of foreign currency exchange differences	-	12,507	20,292	1,229	3,143	1,607	-	38,778
Others	-	-	157,433	-	54,237	14,632	(9,489)	216,813
Balance at December 31, 2014	$ 1,428,543	$ 3,547,778	$ 4,925,291	$ 53,989	$ 3,424,559	$ 260,241	$ 47,544	$ 13,687,945
Accumulated depreciation								
Balance at January 1, 2014	$ -	$ 728,224	$ 2,987,447	$ 37,517	$ 2,050,086	$ 180,407	$ -	$ 5,983,681
Disposals	-	-	(645)	(3,274)	-	(914)	-	(4,833)
Depreciation expenses	-	142,468	467,057	3,958	392,166	24,418	-	1,030,067
Effect of foreign currency exchange differences	-	3,801	5,723	388	1,810	1,345	-	13,067
Balance at December 31, 2014	$ -	$ 874,493	$ 3,459,582	$ 38,589	$ 2,444,062	$ 205,256	$ -	$ 7,021,982
Carrying amounts at December 31, 2014	$ 1,428,543	$ 2,673,285	$ 1,465,709	$ 15,400	$ 980,497	$ 54,985	$ 47,544	$ 6,665,963
Cost								
Balance at January 1, 2015	$ 1,428,543	$ 3,547,778	$ 4,925,291	$ 53,989	$ 3,424,559	$ 260,241	$ 47,544	$ 13,687,945
Additions	-	21,300	237,417	16,078	68,396	13,194	722,272	1,078,657
Disposals	-	-	(2,340)	(8,430)	(15,409)	(31,737)	-	(57,916)
Effect of foreign currency exchange differences	-	(7,012)	(12,701)	(321)	(753)	(931)	(5,439)	(27,157)
Others	-	62,271	172,693	-	28,987	8,360	(93,436)	178,875
Balance at December 31, 2015	$ 1,428,543	$ 3,624,337	$ 5,320,360	$ 61,316	$ 3,505,780	$ 249,127	$ 670,941	$ 14,860,404
Accumulated depreciation								
Balance at January 1, 2015	$ -	$ 874,493	$ 3,459,582	$ 38,589	$ 2,444,062	$ 205,256	$ -	$ 7,021,982
Disposals	-	-	(2,340)	(8,416)	(15,409)	(31,737)	-	(57,902)
Depreciation expenses	-	144,197	521,854	6,462	369,615	18,295	-	1,060,423
Effect of foreign currency exchange differences	-	(2,278)	(3,694)	(223)	(1,118)	(775)	-	(8,088)
Balance at December 31, 2015	$ -	$ 1,016,412	$ 3,975,402	$ 36,412	$ 2,797,150	$ 191,039	$ -	$ 8,016,415
Carrying amounts at December 31, 2015	$ 1,428,543	$ 2,607,925	$ 1,344,958	$ 24,904	$ 708,630	$ 58,088	$ 670,941	$ 6,843,989
Cost								
Balance at January 1, 2016	$ 1,428,543	$ 3,624,337	$ 5,320,360	$ 61,316	$ 3,505,780	$ 249,127	$ 670,941	$ 14,860,404
Additions	-	24,229	60,023	6,253	48,008	6,787	3,144,752	3,290,052
Disposals	-	-	(216,427)	(4,197)	(24,252)	(24,063)	-	(268,939)
Effect of foreign currency exchange differences	-	(27,327)	(59,847)	(1,735)	(7,252)	(3,694)	(125,169)	(225,024)
Others	-	1,875	265,138	3,232	33,496	6,946	488,641	799,328
Balance at December 31, 2016	$ 1,428,543	$ 3,623,114	$ 5,369,247	$ 64,869	$ 3,555,780	$ 235,103	$ 4,179,165	$ 18,455,821
Accumulated depreciation and impairment								
Balance at January 1, 2016	$ -	$ 1,016,412	$ 3,975,402	$ 36,412	$ 2,797,150	$ 191,039	$ -	$ 8,016,415
Disposals	-	-	(216,141)	(3,999)	(24,252)	(20,717)	-	(265,109)
Depreciation expenses	-	147,480	461,954	9,471	190,282	20,485	-	829,672
Effect of foreign currency exchange differences	-	(10,641)	(20,864)	(1,026)	(5,593)	(4,015)	(13,927)	(56,066)
Impairment loss	-	-	-	-	-	-	291,090	291,090
Balance at December 31, 2016	$ -	$ 1,153,251	$ 4,200,351	$ 40,858	$ 2,957,587	$ 186,792	$ 277,163	$ 8,816,002

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
Carrying amounts at December 31, 2016	$ 1,428,543	$ 2,469,863	$ 1,168,896	$ 24,011	$ 598,193	$ 48,311	$ 3,902,002	$ 9,639,819

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
	US$ (Note 4)	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*
Cost								
Balance at January 1, 2016	$ 47,022	$ 119,300	$ 175,127	$ 2,018	$ 115,398	$ 8,200	$ 22,085	$ 489,150
Additions	-	798	1,976	206	1,580	223	103,514	108,297
Disposals	-	-	(7,124)	(138)	(798)	(793)	-	(8,853)
Effect of foreign currency exchange differences	-	(900)	(1,970)	(57)	(239)	(122)	(4,119)	(7,407)
Others	-	62	8,727	106	1,103	229	16,084	26,311
Balance at December 31, 2016	$ 47,022	$ 119,260	$ 176,736	$ 2,135	$ 117,044	$ 7,737	$ 137,564	$ 607,498
Accumulated depreciation and impairment								
Balance at January 1, 2016	$ -	$ 33,457	$ 130,856	$ 1,199	$ 92,072	$ 6,288	$ -	$ 263,872
Disposals	-	-	(7,115)	(132)	(798)	(682)	-	(8,727)
Depreciation expenses	-	4,855	15,206	312	6,263	674	-	27,310
Effect of foreign currency exchange differences	-	(350)	(687)	(34)	(184)	(133)	(459)	(1,847)
Impairment loss	-	-	-	-	-	-	9,582	9,582
Balance at December 31, 2016	$ -	$ 37,962	$ 138,260	$ 1,345	$ 97,353	$ 6,147	$ 9,123	$ 290,190
Carrying amounts at December 31, 2016	$ 47,022	$ 81,298	$ 38,476	$ 790	$ 19,691	$ 1,590	$ 128,441	$ 317,308

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 (US$9,582 thousand) in operating costs in the consolidated statements of comprehensive income for the year ended December 31, 2016.

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

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

13. GOODWILL

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$* (*Note 4*)
Balance at January 1 and December 31	$ 8,056	$ 8,056	$ 8,056	$ 265

14. OTHER INTANGIBLE ASSETS

	Computer Software	Core Technology	Licenses and Franchises	Total
	NT$	*NT$*	*NT$*	*NT$*
Cost				
Balance at January 1, 2014	$ 32,776	$ 47,000	$ -	$ 79,776
Additions	8,548	-	9,200	17,748
Balance at December 31, 2014	$ 41,324	$ 47,000	$ 9,200	$ 97,524
Accumulated amortization				
Balance at January 1, 2014	$ 30,683	$ 7,442	$ -	$ 38,125
Amortization expenses	3,481	4,700	920	9,101
Balance at December 31, 2014	$ 34,164	$ 12,142	$ 920	$ 47,226
Carrying amounts at December 31, 2014	$ 7,160	$ 34,858	$ 8,280	$ 50,298
Cost				
Balance at January 1, 2015	$ 41,324	$ 47,000	$ 9,200	$ 97,524
Additions	11,716	-	-	11,716
Disposals	(2,620)	-	-	(2,620)
Balance at December 31, 2015	$ 50,420	$ 47,000	$ 9,200	$ 106,620
Accumulated amortization				
Balance at January 1, 2015	$ 34,164	$ 12,142	$ 920	$ 47,226
Amortization expenses	7,826	4,700	1,840	14,366
Disposals	(2,620)	-	-	(2,620)
Balance at December 31, 2015	$ 39,370	$ 16,842	$ 2,760	$ 58,972
Carrying amounts at December 31, 2015	$ 11,050	$ 30,158	$ 6,440	$ 47,648
Cost				
Balance at January 1, 2016	$ 50,420	$ 47,000	$ 9,200	$ 106,620
Additions	19,281	-	-	19,281
Effect of foreign currency exchange differences	(176)	-	-	(176)

Balance at December 31, 2016	$ 69,525	$ 47,000	$ 9,200	$ 125,725

	Computer Software	Core Technology	Licenses and Franchises	Total
	NT$	*NT$*	*NT$*	*NT$*
Accumulated amortization				
Balance at January 1, 2016	$ 39,370	$ 16,842	$ 2,760	$ 58,972
Amortization expenses	9,685	4,700	1,840	16,225
Effect of foreign currency exchange differences	(24)	-	-	(24)
Balance at December 31, 2016	$ 49,031	$ 21,542	$ 4,600	$ 75,173
Carrying amounts at December 31, 2016	$ 20,494	$ 25,458	$ 4,600	$ 50,552

	Computer Software	Core Technology	Licenses and Franchises	Total
	US$ (Note 4)	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*
Cost				
Balance at January 1, 2016	$ 1,660	$ 1,547	$ 303	$ 3,510
Additions	635	-	-	635
Effect of foreign currency exchange differences	(6)	-	-	(6)
Balance at December 31, 2016	$ 2,289	$ 1,547	$ 303	$ 4,139
Accumulated amortization				
Balance at January 1, 2016	$ 1,296	$ 554	$ 91	$ 1,941
Amortization expenses	319	155	61	535
Effect of foreign currency exchange differences	(1)	-	-	(1)
Balance at December 31, 2016	$ 1,614	$ 709	$ 152	$ 2,475
Carrying amounts at December 31, 2016	$ 675	$ 838	$ 151	$ 1,664

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

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

15. OTHER ASSETS

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Current				
Prepayments	$ 36,653	$ 69,225	$ 282,733	$ 9,307
Offset against business tax payables	4,106	21,592	212,243	6,986
Pledged time deposits (a) (Note 30)	-	262,078	134,032	4,412
Prepaid sales tax	254	3,714	100,896	3,321
Temporary payments	492	1,089	56,205	1,850
Payments on behalf of others	22	139	30,740	1,012
Prepayments for leases	-	6,415	5,929	195
Other financial assets (b)	152,760	746,307	4,800	158
Others	511	107	-	-
	$ 194,798	$ 1,110,666	$ 827,578	$ 27,241
Non-current				
Prepayments for leases	$ 3,505	$ 294,017	$ 265,837	$ 8,750
Prepayments for purchase of equipment	251,653	608,107	153,602	5,056
Refundable deposits	54,093	5,998	4,457	147
Others	1,075	-	3,872	128
	$ 310,326	$ 908,122	$ 427,768	$ 14,081

a. The market rate intervals of pledged time deposits were 1.32%-1.82% and 1.21%-1.65% as of December 31, 2015 and 2016, respectively.

b. The market rate intervals of time deposits (investments with original maturities of more than three months) were 3.08%, 0.94%-2.35% and 0.91%-1.04% as of December 31, 2014, 2015 and 2016, respectively.

16. LOANS

a. Short-term bank loans

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Unsecured loans				
Line of credit loans	$ 1,575,730	$ 1,769,142	$ 3,451,626	$ 113,615

The range of weighted average effective interest rates on bank loans was 0.76%-2.50%, 0.52%-2.06% and 0.56%-1.98% per annum as of December 31, 2014, 2015 and 2016, respectively.

b. Short-term bills payable

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Commercial papers	$ 300,000	$ -	$ -	$ -

The interest rate on commercial paper was 1.15% per annum as of December 31, 2014.

c. Long-term bank loans

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Unsecured loans				
Syndicated loans: Lead bank - Bank of Taiwan Repayable quarterly on interest from September 23, 2016; repayable from March 23, 2019 to September 23, 2021; annual floating interest rate at 3.10%-3.45% in 2016	$ -	$ -	$ 1,345,181	$ 44,279
Less: Reclassified as current portion due to breaching certain terms of long-term loan arrangement	-	-	1,345,181	44,279
Long-term bank loans	$ -	$ -	$ -	$ -

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

1) Current ratio: At least 100%;

2) Debt ratio: No more than 100%;

3) Interest coverage ratio: At least 3; and

4) Tangible net worth: At least NT$10,000,000 thousand (US$329,164 thousand).

During 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 (US$44,279 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 December 31, 2016, 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. 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

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Accounts payable				
Operating	$ 1,667,832	$ 1,836,329	$ 1,864,954	$ 61,388

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

18. OTHER LIABILITIES

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Current				
Other payables				
Payables for salaries or bonuses	$ 321,864	$ 244,863	$ 235,698	$ 7,758
Payables for purchase of equipment	74,508	81,630	157,927	5,198
Payables for purchase of land or buildings	-	219,463	145,750	4,798
Payables for annual leave	25,084	26,343	30,951	1,019
Payables for insurance premiums	14,734	15,334	17,898	589
Payables for interests	3,416	5,186	5,031	166
Accrued taxes payable	4,064	7,008	6,951	229
Payables for professional service fees	2,164	2,995	2,382	78
Others	187,394	211,324	201,834	6,644
	$ 633,228	$ 814,146	$ 804,422	$ 26,479

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Other liabilities				
Advance receipts	$ 16,920	$ 4,116	$ 6,644	$ 219
Others	37,290	28,388	25,415	836
	$ 54,210	$ 32,504	$ 32,059	$ 1,055

19. PROVISIONS

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
Current				
Customer returns and rebates	$ 167,560	$ -	$ 1,647	$ 54

	Customer Returns and Rebates	Customer Returns and Rebates
	NT$	*US$* *(Note 4)*
Balance at January 1, 2016	$ -	$ -
Additional provisions	11,734	386
Usage	(10,087)	(332)
Balance at December 31, 2016	$ 1,647	$ 54

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

20. RETIREMENT BENEFIT PLANS

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

The Corporation recognized expenses of NT$37,121 thousand, NT$39,673 thousand and NT$41,592 thousand (US$1,369 thousand) in the consolidated statements of comprehensive income for the year ended December 31, 2014, 2015 and 2016, respectively.

21. EQUITY

a. Share capital

1) Common shares

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
Numbers of shares authorized (in thousands) .	600,000	600,000	600,000	19,750
Shares authorized	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 197,500
Number of shares issued and fully paid (in thousands)	515,729	515,729	515,729	16,976
Shares issued	$ 5,157,285	$ 5,157,285	$ 5,157,285	169,759

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 (US$230,415 thousand). However, the registration of change has not been completed.

Fully paid common shares, which have a par value of NT$10 (US$0.33), carry one vote per share and carry a right to dividends.

On December 20, 2016, CMMT's board of directors approved to increase its capital by an issuance of up to 150,000 thousand shares of common shares by sponsoring the issuance of global depositary shares. The issuance of global depositary shares was also resolved in the extraordinary general meeting of shareholders on February 8, 2017.

b. Capital surplus

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)				
Share premium........................	$ 400,487	$ 400,48	$ 400,487	$ 13,183
From differences between purchasing price and carrying amount arising from acquisition or disposal of subsidiaries.....................	-	-	3,062	100
May only be used to offset a deficit (2)				
From changes in equities of subsidiaries	4,786	-	50,212	1,653
	$ 405,273	$ 400,48	$ 453,761	$ 14,936

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

Under CMMT's Articles of Incorporation before amendment, where the CMMT made profit in a fiscal year, the profit should be first utilized for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit should be made appropriations in the following order:

1) as employees' bonus (no less than 1%), and if it was issued new shares, it should be converted to stock shares of employees' bonus under the laws and regulations;

2) as remuneration of directors (no more than 1%);

3) any remaining balance plus unappropriated earnings of prior years and current year, the Board of Directors would propose all or part of appropriation of shareholders' bonus to be presented in the shareholders' meeting for approval.

The CMMT's Articles of Incorporation before amendment also stipulates a dividend policy that distribution to common shareholders may also be made by way of cash and/or stock dividends. In principle, cash dividends should not be less than 10% of total dividends distributed.

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 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 before and after the amendment, refer to Note 22f, Employee benefits expense.

CMMT's Articles of Incorporation also stipulate a dividend policy that, after taking into account CMMT's current and future development plan, investment environment, fund requirements, domestic and international competition, and the interests of shareholders, the dividend policy of 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 stock 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 2013, 2014 and 2015 approved in the shareholders' meetings on June 6, 2014, June 9, 2015, and June 20, 2016, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31			Dividends Per Share (NT$) For the Year Ended December 31		
	2013	2014	2015	2013	2014	2015
Legal reserve	$ 244,629	$ 224,856	$ 104,879			
Cash dividends .	$ 49,117	$ 1,289,321	$ 257,864	$ 0.1	$ 2.5	$ 0.5
Stock dividends	$ 245,585	$ -	$ -	$ 0.5	$ -	$ -

The Company's shareholders also resolved to issue cash dividends at price of NT$0.40 per share from capital surplus of NT$196,468 thousand in the shareholders' meeting on June 6, 2014.

The appropriation of earnings for 2016 was proposed by CMMT's board of directors on February 20, 2017. The appropriation was as follows:

	Appropriation of Earnings	Dividends Per Share *(NT$)*
Special reserve	$ 166,124	$ -

d. Others equity items

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

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Balance at January 1.........	$ 39,537	$ 172,463	$ 96,357	$ 3,172
Exchange differences arising on translating the financial statements of foreign operations....	132,926	(76,106)	(299,353)	(9,854)
Balance at December 31...	$ 172,463	$ 96,357	$ (202,996)	$ (6,682)

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

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Balance at January 1	$ 392	$ 606	$ 11,137	$ 367
Unrealized gain arising on revaluation of available-for-sale financial assets	214	11,636	13,647	449
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	-	(1,105)	(24,761)	(815)
Balance at December 31	$ 606	$ 11,137	$ 23	$ 1

e. Non-controlling interests

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Balance at January 1	$ 88,907	$ 80,141	$ 221,941	$ 7,305
Attributable to non-controlling interests:				
Share of (loss) profit for the year	(8,928)	(1,636)	59	2
Exchange difference arising on translation of foreign entities	-	(6,142)	(115,972)	(3,817)
Unrealized gains (loss) on available-for-sale financial assets	162	(421)	(31)	(1)
(Acquisition) disposal of non-controlling interest in subsidiaries	-	(79,000)	6,000	197
From differences between purchase price and carrying amount arising from acquisition of subsidiaries	-	40,763	(3,062)	(100)
From changes in equities of subsidiaries	-	188,236	2,178,363	71,704
Balance at December 31	$ 80,141	$ 221,941	$ 2,287,298	$ 75,290

22. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

a. Other operating income and expenses

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Net loss from disaster (Note 32)	$ -	$ -	$ (33,870)	$ (1,115)

b. Other income

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Interest income	$ 76,906	$ 68,300	$ 42,773	$ 1,408
Government grant (Note 25)	-	-	10,766	354
Rental income	611	528	700	23
Other	16,532	11,571	36,775	1,212
	$ 94,049	$ 80,399	$ 91,014	$ 2,997

c. Other gains and losses

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Net foreign exchange gains	$ 617,801	$ 247,050	$ 60,474	$ 1,991
Net gain on disposal of available-for-sale financial assets	151	1,105	24,761	815
Net gain arising on financial assets designated as at FVTPL	-	-	6,598	217
Net loss arising on financial assets and liabilities held for trading	(167,395)	(12,722)	(102,166)	(3,363)
Gain (loss) on disposal of property, plant and equipment	140	(9)	121	4
Others	-	(7,328)	(3,396)	(112)
	$ 450,697	$ 228,096	$ (13,608)	$ (448)

d. Finance costs

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Interest on bank loans	$ (50,614)	$ (23,735)	$ (13,833)	$ (455)
Other finance costs	(934)	(784)	(806)	(27)
	$ (51,548)	$ (24,519)	$ (14,639)	$ (482)

Information about capitalized interest was as follows:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Capitalized interest	$ -	$ 1,046	$ 2,984	$98
Capitalization rate	-	1.31%	0.85%	0.85%

e. Depreciation and amortization

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Property, plant and equipment	$ 1,030,067	$ 1,060,423	$ 829,672	$ 27,310
Intangible assets	9,101	14,366	16,225	535
Prepayment for leases	81	6,076	6,219	204
	$ 1,039,249	$ 1,080,865	$ 852,116	$ 28,049
An analysis of deprecation by function				
Operating costs	$ 971,237	$ 1,015,178	$ 774,865	$ 25,506
Operating expenses	58,830	45,245	54,807	1,804
	$ 1,030,067	$ 1,060,423	$ 829,672	$ 27,310
An analysis of amortization by function				
Operating costs	$ 463	$ 1,942	$ 2,908	$ 96
General and administrative expenses	2,980	11,863	12,943	426
Research and development expenses	5,739	6,637	6,593	217
	$ 9,182	$ 20,442	$ 22,444	$ 739

f. Employee benefits expense

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Post-employment benefits				
Defined contribution plans	$ 37,121	$ 39,673	$ 41,592	$ 1,369
Other employee benefits	1,374,882	1,453,110	1,483,970	48,847
Total employee benefits expense	$ 1,412,003	$ 1,492,783	$ 1,525,562	$ 50,216
An analysis of employee benefits expenses by function				
Operating costs	$ 1,141,560	$ 1,267,120	$ 1,292,628	$ 42,549
Operating expenses	270,443	225,663	232,934	7,667
	$ 1,412,003	$ 1,492,783	$ 1,525,562	$ 50,216

1) Employees’ compensation and remuneration of directors and supervisors for 2015 and 2016

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of CMMT approved by the shareholders in their meeting on June 20, 2016, 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 year ended December 31, 2016; thus, neither employees' compensation nor remuneration of directors was estimated.

The board of directors meeting of CMMT held on March 11, 2016 approved the profit sharing employees' compensation and remuneration of directors and supervisors based on a percentage of net income before income tax, which amounted to NT$31,952 thousand (US$1,052 thousand) and $30 thousand (US$1 thousand), respectively, for the year ended December 31, 2015.

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

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.

2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which were approved in the shareholders' meeting on June 9, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Cash	**Share**
Bonus to employees	$ 60,559	$ -
Remuneration of directors and supervisors	30	-

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 9, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Foreign exchange gains.....	$ 622,225	$ 742,084	$ 908,901	$ 29,918
Foreign exchange losses ..	(4,424)	(495,034)	(848,427)	(27,927)
	$ 617,801	$ 247,050	$ 60,474	$ 1,991

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense (income) recognized in profit or loss

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Current tax				
In respect of the current year	$ 184,316	$ 165,537	$ 439	$ 14
Income tax on unappropriated earnings	190,696	73,438	-	-
Adjustments for prior years	13,727	6,237	(1,142)	(38)
	388,739	245,212	(703)	(24)
Deferred tax				
In respect of the current year	44,481	74,215	(58,906)	(1,938)
Income tax expenses (benefits) recognized in profit or loss	$ 433,220	$ 319,427	$ (59,609)	$ (1,962)

A reconciliation of accounting profit and income tax expenses (benefits) recognized in profit or loss was as follows:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Profit (loss) before tax	$ 2,672,853	$ 1,366,586	$(1,543,471)	$ (50,805)
Income tax expenses (benefits) calculated at the statutory rate	$ 518,296	$ 289,333	$ (416,693)	$(13,716)
Nondeductible expenses in determining taxable income	871	767	471	16
Tax-exempt income	(337,253)	(19,313)	-	-
Additional income tax under the Alternative	14,204	-	-	-

	2014	2015	2016 NT$	2016 US$
Minimum Tax Act				
Income tax on unappropriated earnings .	190,696	73,438	-	-
Unrecognized deductible temporary differences.....	32,679	(48,220)	38,044	1,252
Unrecognized loss carryforwards.................	-	-	319,711	10,524
Adjustments for prior years' tax..................................	13,727	6,237	(1,142)	(38)
Others.................................	-	17,185	-	-
Income tax expenses (benefits) recognized in profit or loss...................	$ 433,220	$ 319,427	$(59,609)	$(1,962)

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Current tax assets and liabilities

	December 31			
	2014	**2015**	**2016**	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Current tax liabilities				
Income tax payable.	$ 291,000	$ 143,441	$ 436	$ 14

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2014

	Balance, Beginning of Year	**Movements**	**Balance, End of Year**
	NT$	*NT$*	*NT$*
Deferred tax assets			
Temporary differences			
Unrealized loss on inventories....	$ 43,880	$ 21,717	$ 65,597
FVTPL financial assets..............	9,334	(8,491)	843
Deferred revenue	78,143	(39,822)	38,321
Unrealized foreign exchange gains	(24,043)	(11,557)	(35,600)
Provisions	29,613	74	29,687
Others	(18,745)	10,866	(7,879)
	118,182	(27,213)	90,969
Deferred tax liabilities			
Temporary differences			
Share of profits of associates accounted for using equity method...................................	138,441	19,522	157,963
Others	2,711	(2,255)	456

	141,152	17,267	158,419
	$ (22,970)	$ (44,480)	$ (67,450)

For the year ended December 31, 2015

	Balance, Beginning of Year	Movements	Balance, End of Year
	NT$	*NT$*	*NT$*
Deferred tax assets			
Temporary differences			
Loss on inventories	$ 65,597	$ (6,571)	$ 59,026
FVTPL financial assets	843	(1,919)	(1,076)
Deferred revenue	38,321	(23,015)	15,306
Unrealized foreign exchange gains	(35,600)	31,610	(3,990)
Provisions	29,687	(28,014)	1,673
Others	(7,879)	(7,750)	(15,629)
	90,969	(35,659)	55,310
Deferred tax liabilities			
Temporary differences			
Share of profits of associates accounted for using equity method	157,963	38,720	196,683
Others	456	(164)	292
	158,419	38,556	196,975
	$ (67,450)	$ (74,215)	$ (141,665)

For the year ended December 31, 2016

	Balance, Beginning of Year	Movements	Balance, End of Year
	NT$	*NT$*	*NT$*
Deferred tax assets			
Temporary differences			
Loss on inventories	$ 59,026	$ 11,774	$ 70,800
FVTPL financial assets	(1,076)	4,446	3,370
Deferred revenue	15,306	(14,354)	952
Unrealized foreign exchange gains	(3,990)	(47,697)	(51,687)
Provisions	1,673	(1,098)	575
Others	(15,629)	2,072	(13,557)
	55,310	(44,857)	10,453
Deferred tax liabilities			
Temporary profits of differences			
Share of profits of associates accounted for using equity method	196,683	(103,650)	93,033
Others	292	(113)	179
	196,975	(103,763)	93,212
	$ (141,665)	$ 58,906	$ (82,759)

	Balance, Beginning of Year	Movements	Balance, End of Year
	US$ *(Note 4)*	*US$* *(Note 4)*	*US$* *(Note 4)*
Deferred tax assets			
Temporary differences			
Loss on inventories	$ 1,943	$ 387	$ 2,330
FVTPL financial assets	(35)	146	111
Deferred revenue	504	(473)	31
Unrealized foreign exchange gains	(131)	(1,570)	(1,701)
Provisions	55	(36)	19
Others	(514)	68	(446)
	1,822	(1,478)	344
Deferred tax liabilities			
Temporary differences			
Share of profits of associates accounted for using equity method	6,474	(3,412)	3,062
Others	10	(4)	6
	6,484	(3,416)	3,068
	$ (4,662)	$ 1,938	$ (2,724)

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
Loss carryforwards				
Expire in 2020	$ 4,715	$ 4,715	$ 4,715	$ 155
Expire in 2021	38,616	38,616	38,616	1,271
Expire in 2022	52,328	52,328	52,328	1,722
Expire in 2023	35,846	35,846	35,846	1,180
Expire in 2024	16,480	16,480	16,480	542
Expire in 2025	-	4,767	4,767	157
Expire in 2026	-	-	1,128,895	37,159
	$ 147,985	$ 152,752	$ 1,281,647	$ 42,186
Deductible temporary differences	$ 1,520,129	$ 621,036	$ 1,040,146	$ 34,238

e. Information about unused loss carryforwards and tax exemptions

Loss carryforwards as of December 31, 2016 comprised of:

Unused Amount		Expiry Year
NT$	*US$* *(Note 4)*	
$ 801	$ 26	2020
6,565	216	2021
8,896	293	2022
6,094	201	2023
2,802	92	2024
810	27	2025
191,912	6,317	2026
$ 217,880	$ 7,712	

As of December 31, 2016, profit attributable to the following expansion project was exempted from income tax due to the Corporation funding the production of polarizing film used for flat panel displays:

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

f. Integrated income tax

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
Unappropriated earnings Generated on or after January 1, 1998................................	$6,532,965	$6,028,852	$ 4,182,188	$ 137,663
Shareholder-imputed credits account....................................	$ 247,110	$ 451,683	$ 568,411	$ 18,710

	For the Year Ended December 31		
	2014	2015	2016 (Expected)
Creditable ratio for distribution of earnings.........	8.07%	10.03%	13.59%

g. Income tax assessments

CMMT and CMVT’s income tax returns through 2014 have been assessed by the tax authorities.

24. EARNINGS (LOSS) PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Basic earnings (loss) per share	$ 4.36	$ 2.03	$ (2.88)	$ (0.09)
Diluted earnings (loss) per share	$ 4.34	$ 2.02	$ (2.88)	$ (0.09)

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

Net Profit (Loss) for the Year

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Earnings (loss) used in the computation of basic and diluted earnings per share	$ 2,248,561	$ 1,048,795	$ (1,483,921)	$ (48,845)

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

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Weighted average number of common shares in computation of basic earnings (loss) per share	515,729	515,729	515,729	16,976
Effect of potentially dilutive ordinary shares:				
Employees' compensation or bonuses issued to employees	2,562	2,540	-	-
Weighted average number of common shares used in the computation of diluted earnings per share	518,291	518,269	515,729	16,976

If the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect was dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

Since the outstanding share option of the Corporation was anti-dilutive, it was excluded from the computation of diluted losses per share during 2016.

25. GOVERNMENT GRANTS

In September 2016, the Corporation received a government grant of $10,766 thousand (US$354 thousand) towards its project related to an industrial upgrading innovation platform. The Corporation had complied with the conditions attached to such government grant and therefore, the total of NT$10,766 thousand (US$354 thousand) received was recognized as other income for the year ended December 31, 2016.

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 29, 2015, the Corporation acquired of 26.33% of its interest in CMVT, increasing its continuing interest from 57% to 83.33%. In December, 2016, the Corporation disposed of 2% of its interest in CMVT, reducing its continuing interest from 83.33% to 81.33%.

The Corporation subscribed for additional new shares of KSCMMT at a percentage different from its existing ownership percentage, reducing its continuing interest from 100% to 92.6% and 92.6 % to 49% on August 15, 2015 and May 12, 2016, respectively.

The above transactions were accounted for as equity transactions, since the Corporation did not cease to have control over these subsidiaries.

CMVT:

	June 29, 2015	December 28, 2016	
	NT$	*NT$*	*US$*
Cash consideration received (paid)...............	$ (79,000)	$ 6,000	$ 197
The proportionate share of the carrying amount of the net assets of the subsidiary transferred (to) from non-controlling interests	38,237	(2,938)	(97)
Differences recognized from equity transactions..	$ (40,763)	$ 3,062	$ 100
Line items adjusted for equity transactions			
Capital surplus - differences between equity purchasing price and carrying amount arising from actual acquisitions or disposals of subsidiaries	$ (4,786)	$ 3,062	$ 100
Retained earnings	(35,977)	-	-
	$ (40,763)	$ 3,062	$ 100

KSCMMT:

	August 15, 2015	May 12, 2016	
	NT$	*NT$*	*US$*
Cash consideration received (paid)	$ -	$ -	$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred (to) from non-controlling	(2,754)	50,212	1,653

interests			
Differences recognized from equity transactions..	$ (2,754)	$ 50,212	$ 1,653
Line items adjusted for equity transactions			
Capital surplus - share of changes in equities of subsidiaries	$ -	$ 50,212	$ 1,653
Retained earnings	(2,754)	-	-
	$ (2,754)	$ 50,212	$ 1,653

27. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests) and equity attributable to the owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders and/or the number of new shares issued.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or cannot be reliably measured.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2014

	Level 1	**Level 2**	**Level 3**	**Total**
	NT$	*NT$*	*NT$*	*NT$*
Available-for-sale financial assets				
Mutual funds	$ 66,063	$ -	$ -	$ 66,063
Financial assets at FVTPL				

	Level 1	Level 2	Level 3	Total
Derivative financial assets.	$ -	$ 4,961	$ -	$ 4,961

December 31, 2015

	Level 1 *NT$*	Level 2 *NT$*	Level 3 *NT$*	Total *NT$*
Available-for-sale financial assets				
Mutual funds	$ 10,217	$ 190,776	$ -	$ 200,993
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 6,326	$ -	$ 6,326

December 31, 2016

	Level 1 *NT$*	Level 2 *NT$*	Level 3 *NT$*	Total *NT$*
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

	Level 1 *US$* *(Note 4)*	Level 2 *US$* *(Note 4)*	Level 3 *US$* *(Note 4)*	Total *US$* *(Note 4)*
Available-for-sale financial assets				
Mutual funds	$ 396	$ -	$ -	$ 396
Financial assets at FVTPL				
Derivative financial assets	$ -	$ -	$ 5,506	$ 5,506
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 652	$ -	$ 652

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2016

	Financial Assets at Fair Value Through Profit or Loss	
	Structured Deposits	
	NT$	*US$* *(Note 4)*
<u>Financial assets</u>		
Balance at January 1, 2016	$ -	$ -
Recognized in profit or loss (included in other gains and losses)		
Realized	5,544	182
Unrealized	1,054	35
Effect of foreign currency exchange differences	(88)	(3)
Purchases	1,846,800	60,790
Sales	(1,686,044)	(55,498)
Balance at December 31, 2016	$ 167,266	$ 5,506

3) 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.
Foreign mutual funds	Fair values are estimated based on yield to maturity of government bonds and municipal bonds in China.

4) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of structured deposits are determined using the discounted cash flow method where the significant unobservable inputs are discount rates. A decrease in the discount rates used in isolation would result in an increase in the fair value. As of December 31, 2016, the discount rate used was 1.40%.

c. Categories of financial instruments

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
<u>Financial assets</u>				
Fair value through profit or loss (FVTPL)				
Held for trading	$ -	$ 6,326	$ -	$ -
Designated as at FVTPL	-	-	167,266	5,506
Loans and receivables (1)	8,504,859	6,454,259	7,321,458	240,996
Available-for-sale financial assets	66,063	200,993	12,028	396
<u>Financial liabilities</u>				
Fair value through profit or				

loss (FVTPL)				
Held for trading	4,961	-	19,822	652
Amortized cost (2)............	3,621,486	3,911,750	6,970,469	229,443

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents and accounts receivable.

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, 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 currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Corporation's activities exposed it primarily to the financial risk of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Corporation entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on dollar-denominated assets generated by sales and yen-denominated liabilities generated by the import of raw materials from Japan.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries and CMMT had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately

99% of the Corporation's sales were denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 97% of costs were denominated in the group entity's functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Corporation was mainly exposed to the U.S. dollar and JPY.

The following table details the Corporation's sensitivity to a 0.5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign currency exchange rates is 0.5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the end of the reporting period for a 0.5% change in foreign currency rates. A positive number below indicates a decrease in the pre-tax profit associated with the New Taiwan dollar strengthening 0.5% against the relevant currency. For a 0.5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on the pre-tax profit, and the balances below would be negative.

	U.S. Dollar Impact				**JPY Impact**			
	For the Year Ended December 31				**For the Year Ended December 31**			
	2014	**2015**	**2016**		**2014**	**2015**	**2016**	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*NT$*	*US$ (Note 4)*
Profit or loss......	$ (19,420)	$ 7,557	$ 8,631(i)	$ 284	$ 9,956	$ (10,629)	$(9,375)(ii)	$ (309)

i. This was mainly attributable to the exposure outstanding on U.S. dollar receivables, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure outstanding on JPY payables, which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Corporation was exposed to interest rate risk because entities in the

Corporation borrowed funds at 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:

	December 31			
	2014	**2015**	**2016**	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Fair value interest rate risk				
Financial assets	$ 3,555,143	$ 3,516,401	$ 2,797,362	$ 92,079
Financial liabilities.......	996,959	1,444,787	3,320,411	109,296
Cash flow interest rate risk				
Financial assets	434,073	368,779	1,661,171	54,680
Financial liabilities.......	883,732	324,355	1,496,218	49,250

<u>Sensitivity analysis</u>

The sensitivity analysis below were determined based on the Corporation's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2014, 2015 and 2016 would decrease/increase by NT$2,209 thousand, NT$111 thousand and NT$412 thousand (US$14 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 99%, 90% and 84% in total accounts receivable as of December 31, 2014, 2015 and 2016, respectively, was related to the Corporation's five largest customers.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. However, the Corporation breached certain terms of its long-term loan 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 December 31, 2016, those negotiations had not concluded. Refer to Note 16 for details.

The Corporation relies on bank loans as a significant source of liquidity. As of December 31, 2014, 2015 and 2016, the Corporation had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

<u>December 31, 2014</u>

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
	NT$	*NT$*	*NT$*
Non-derivative financial liabilities			
Non-interest bearing	$ 1,735,382	$ 230	$ 6,728
Variable interest rate liabilities	727,942	155,790	-
Fixed interest rate liabilities	991,998	-	-
	$ 3,455,322	$ 156,020	$ 6,728

December 31, 2015

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
	NT$	*NT$*	*NT$*
Non-derivative financial liabilities			
Non-interest bearing	$ 2,130,062	$ 632	$ 6,728
Variable interest rate liabilities	-	324,356	-
Fixed interest rate liabilities	1,444,786	-	-
	$ 3,574,848	$ 324,988	$ 6,728

December 31, 2016

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

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
	US$ (Note 4)	*US$ (Note 4)*	*US$ (Note 4)*
Non-derivative financial liabilities			
Non-interest bearing	$ 71,162	$ 124	$ 98
Variable interest rate liabilities	4,972	44,279	-
Fixed interest rate liabilities	108,570	73	-
	$ 184,704	$ 44,476	$ 98

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following tables detail the Corporation's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2014

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
	NT$	*NT$*	*NT$*	*NT$*	*NT$*
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 754,639	$ -	$ -	$ -	$ -
Outflows	759,600	-	-	-	-

December 31, 2015

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
	NT$	*NT$*	*NT$*	*NT$*	*NT$*
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 268,926	$ -	$ -	$ -	$ -
Outflows	262,600	-	-	-	-

December 31, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
	NT$	*NT$*	*NT$*	*NT$*	*NT$*
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 689,678	$ -	$ -	$ -	$ -
Outflows............	709,500	-	-	-	-

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
	US$ (Note 4)	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 22,702	$ -	$ -	$ -	$ -
Outflows..............	23,354	-	-	-	-

c) Financing facilities

	December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Unsecured bank overdraft facility, reviewed annually and payable at call:				
Amount used..........	$2,713,529	$ 2,594,975	$ 6,131,674	$ 201,833
Amount unused......	17,779,383	18,066,308	18,636,794	613,456
	$20,492,912	$20,661,283	$24,768,468	$ 815,289
Secured bank overdraft facility:				
Amount used..........	$ -	$ -	$ -	$ -
Amount unused......	1,000,000	-	-	-
	$ 1,000,000	$ -	$ -	$ -

29. 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. Sale of goods

Related Party Categories	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Investors that have significant influence over the Corporation	$ 4,435,575	$ -	$ -	$ -
Affiliates	6,339,196	-	-	-
	$ 10,774,771	$ -	$ -	$ -

The terms of the sale of goods were set out in the contracts between the Corporation and its related parties.

b. Other income

Related Party Categories	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Affiliates	$ -	$ -	$ 254	$ 8

c. Other receivables

Related Party Categories	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Others	$ 9	$ 5	$ 5	$ -

d. Other payables

Related Party Categories	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Affiliates	$ 2,397	$ 246	$ 269	$ 9
Investors that have significant influence over the Corporation	628	1,810	-	-
	$ 3,025	$ 2,056	$ 269	$ 9

e. Other assets acquired

Related Party Categories	Line Items	Price			
		For the Year Ended December 31			
		2014	2015	2016	
		NT$	*NT$*	*NT$*	*US$ (Note 4)*
Investors that have significant influence over the Corporation	Investments accounted for using equity method	$ -	$ 17,000	$ -	$ -
Affiliates	Investments accounted for using equity method	-	62,000	-	-
		$ -	$ 79,000	$ -	$ -

f. Operating expenses

Related Party Categories	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Affiliates	$ 49,375	$ 28,559	$ 24,148	$ 795
Investors that have significant influence over the Corporation - legal foundations whose donations are more than one-third of paid-in capital	2,000	2,000	-	-
Investors that have significant influence over the Corporation	14,556	7,301	1,974	65
	$ 65,931	$ 37,860	$ 26,122	$ 860

g. Rental income

Related Party Categories	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Others	$ 54	$ 54	$ 54	$ 2

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

h. Compensation of key management personnel

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Short-term employee benefits	$ 35,558	$ 38,948	$ 27,753	$ 914
Post-employment benefits	648	631	584	19
	$ 36,206	$ 39,579	$ 28,337	$ 933

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the issuance of line of credit and long-term bank loans:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Restricted assets - pledged deposits	$ -	$ 262,078	$ 134,032	$ 4,412
Property, plant and equipment.........	$ 2,664,342	$ -	$ -	$ -

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2014, 2015 and 2016 were as follows:

a. As of December 31, 2014, 2015 and 2016, unused letters of credit for purchases of raw materials were as follows:

	For the Year Ended December 31		
	2014	2015	2016
JPY...	$ 3,113,309	$ 832,046	$ 3,519,324
EUR	-	-	1,860
USD	-	-	584

b. As of December 31, 2014, 2015 and 2016, the amounts of guarantees provided by financial institutions for the purpose of importing goods were NT$10,000 thousand, NT$10,000 thousand and NT$51,284 thousand (US$1,688 thousand), respectively.

c. As of December 31, 2014, 2015 and 2016, the unpaid amounts of the construction contracts that the Corporation entered into for the expansion of factories and machinery equipment were NT$21,429 thousand, NT$120,497 thousand and NT$1,196,174 thousand (US$39,374 thousand), respectively.

32. SIGNIFICANT LOSSES FROM DISASTERS

Due to the earthquake on February 6, 2016, the Corporation recognized related earthquake losses of NT$33,870 thousand (US$1,115 thousand) (including repair expenses of factories and impairment of inventories), net of insurance claims for the year ended December 31, 2016.

33. 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:

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 242,698	31.65	$ 7,681,392
JPY	52,944	0.2646	14,009
Financial liabilities			
Monetary items			
USD	119,983	31.65	3,797,462
JPY	7,578,324	0.2646	2,005,225
Non-monetary items			
USD	157	31.65	4,961

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 162,000	32.825	$ 5,317,650
JPY	155,356	0.2727	42,365
Non-monetary items			
USD	199	32.825	6,326
Financial liabilities			
Monetary items			
USD	107,958	32.825	3,543,721
JPY	8,937,053	0.2727	2,437,134

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 140,701	32.25	$ 4,537,607
JPY	3,651,992	0.2756	1,006,489
RMB	7,545	4.617	34,835
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

For the years ended December 31, 2014, 2015 and 2016, realized and unrealized net foreign exchange gains were NT$617,801 thousand, NT$247,050 thousand and NT$60,474 thousand (US$1,991 thousand), respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

34. 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): Table 3

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 4

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: Table 5

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 6

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 7

9) Trading in derivative instruments: Note 28

10) Intercompany relationships and significant intercompany transactions: Table 8

11) Information on investees: Table 9

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 10

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 11

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.

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Corporation's reportable segments under IFRS 8 "Operating Segments" were as follows:

a. Segment revenues and results

The following was an analysis of the Corporation's revenue and results from continuing operations by reportable segment.

	Segment Revenue				Segment Profit or Loss			
	For the Year Ended December 31				For the Year Ended December 31			
	2014	2015	2016		2014	2015	2016	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*NT$*	*US$ (Note 4)*
Taiwan operating entities	$ 7,574,115	$ 6,996,235	$ 5,518,355	$ 181,644	$ 2,012,059	$ 877,105	$ (934,299)	$ (30,754)
China operating entities	8,244,171	5,751,060	4,855,817	159,836	167,596	205,505	(671,939)	(22,118)
Total from continuing operations	$ 15,818,286	$ 12,747,295	$ 10,374,172	$ 341,480	2,179,655	1,082,610	(1,606,238)	(52,872)
Net foreign exchange gains					617,801	247,050	60,474	1,991
Interest income					76,906	68,300	42,773	1,408
Gain on disposal of available-for-sale financial instruments					151	1,105	24,761	815
Net gain arising on financial assets designated as at FVTPL					-	-	6,598	217
Net loss arising on financial assets and liabilities held for trading					(167,395)	(12,722)	(102,166)	(3,363)
Finance costs					(50,614)	(23,735)	(13,833)	(455)
Others					16,349	3,978	44,160	1,454
Income (loss) before income tax					$ 2,672,853	$ 1,366,586	$ (1,543,471)	$ (50,805)

Segment profit represented profit before tax earned by each segment without the allocation of central administration costs and directors' salaries, interest income, gains or losses on disposals of property, plant and equipment, gains or losses on disposals of available-for-sale financial instruments, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and the assessment of segment performance.

b. Segment assets

The Corporation does not regularly provide information on assets to the Corporation's chief operating decision maker.

c. Revenue from major products and services

The following is an analysis of the Corporation's revenue from continuing operations from its major products and services.

	For the Year Ended December 31			
	2014	**2015**	**2016**	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Polarizing films....	$ 15,775,611	$ 12,731,342	$ 10,222,239	$ 336,479
Others..................	42,675	15,953	151,933	5,001
	$ 15,818,286	$ 12,747,295	$ 10,374,172	$ 341,480

d. Geographical information

	Revenue from External Customers				Non-current Assets			
	For the Year Ended December 31				December 31			
	2014	**2015**	**2016**		**2014**	**2015**	**2016**	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*NT$*	*US$ (Note 4)*
Taiwan .	$ 5,888,208	$ 4,742,646	$ 3,875,536	$ 127,568	$ 6,024,046	$ 5,661,289	$ 5,155,454	$ 169,699
China....	9,930,078	8,004,649	6,498,636	213,912	1,010,597	2,146,526	4,970,741	163,619
	$ 15,818,286	$ 12,747,295	$ 10,374,172	$ 341,480	$ 7,034,643	$ 7,807,815	$ 10,126,195	$ 333,318

e. Information about major customers

Single customers who contributed 10% or more to the Corporation's gross sales were as follows:

	For the Year Ended December 31			
	2014	**2015**	**2016**	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Customer A (Note)....	$ 5,321,900	$ 4,379,218	$ 3,531,635	$ 116,249
Customer B (Note)....	2,866,096	3,160,410	2,235,405	73,581
Customer C (Note)....	4,173,860	2,737,462	1,582,296	52,083

Note: Revenue from polarizing films.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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)	Note
													Item	Value			
1	KSCMMT	KSCMS	Other receivables - related parties	Yes	$ 462,440 RMB 100,000	$ 462,440 RMB 100,000	$ 240,448 RMB 52,000	4.35%	Short-term financing	$ -	Operating capital	$ -	None	$ -	$ 1,761,868	$ 2,642,802	-

Notes:

(1) The total amount for lending to a company for funding shall not exceed 40% of the net asset value of KSCMMT.

(2) The financing company's aggregate amount available for lending for borrowers should not exceed 60% of the financing KSCMMT's net asset value.

<u>**TABLE 2**</u>

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 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	$ 5,356,117	$ 1,959,510 USD 60,760	$ 1,959,510 USD 60,760	$ 663,705 USD 20,580	$ -	18.29	$ 10,712,234	YES	NO	YES
1	KSCMMT	KSCMS	Subsidiary	$ 2,642,802	2,447,010 RMB 530,000	2,447,010 RMB 530,000	- -	-	55.55	4,404,670	YES	NO	YES

Notes:

(1) CMMT and the other shareholders mutually invested in the endorsee/guarantee based on their respective ownership percentages.

(2) According to the “Rules of Guarantees by CMMT”, the ceiling for 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.

(3) According to the “Rules of Guarantee by KSCMMT”, the ceiling for 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 HELD
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Mutual funds							
CMVT	Franklin Templeton SinoAm Money Market Fund	-	Available-for-sale financial assets - current	1,175	$ 12,028	-	$ 12,028	Note 1
	Structured deposits							
NBCMMT	China Everbright Bank	-	Financial instruments at FVTPL - current	-	167,266 RMB 36,228	-	167,266 RMB 36,228	Note 2

Notes:

(1) Evaluated at net worth on December 31, 2016.

(2) Evaluated at fair value on December 31, 2016.

TABLE 4

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Note)
	Mutual funds													
KSCMMT	AVIC Trust Co., Ltd.	Available-for-sale financial assets - current	-	-	-	$ -	-	RMB 200,000	-	RMB 201,887	RMB 200,000	RMB 1,887	-	RMB -
	Wanxiang Trust Co., Ltd.	Available-for-sale financial assets - current	-	-	-	-	-	RMB 200,000	-	RMB 202,049	RMB 200,000	RMB 2,049	-	RMB -
	Structured deposits													
	Kunshan Rural Commercial Bank	Financial instruments at FVTPL - current	-	-	-	-	-	RMB 100,000	-	RMB 100,251	RMB 100,000	RMB 251	-	RMB -
	Kunshan Rural Commercial Bank	Financial instruments at FVTPL - current	-	-	-	-	-	RMB 150,000	-	RMB 150,382	RMB 150,000	RMB 382	-	RMB -

Note: Evaluated at fair value on December 31, 2016.

TABLE 5

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

ACQUISITIONS OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
KSCMMT	Construction in progress	2016/03/08	RMB 150,000	Monthly settlement by construction progress and acceptance	ShangHai XuanLi Trading Co., Ltd.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Construction purpose	None
	Construction in progress	2016/03/08	RMB 124,280	Monthly settlement by construction progress and acceptance	CTCI Shanghai Co., Ltd.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Construction purpose	None

<u>**TABLE 6**</u>

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	$ 4,190,800	43	Open account 120 days	$ -	-	$ 3,165,821	69	-

TABLE 7

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(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	$ 3,165,821	1.38	$ -	-	$ 492,266	$ -

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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
0	CMMT	NBCMMT	1	Sales	$ 4,190,800	-	40%
			1	Accounts receivable	3,165,821	-	15%
			1	Other receivables	6,360	-	-
			1	Accounts payable	348,539	-	2%
			1	Other payables	2,791	-	-
		CMVT	1	Sales	2,313	-	-
			1	Accounts receivable	3,114	-	-
			1	Rental income	2,905	-	-
		KSCMS	1	Sales	13,370	-	-
			1	Accounts receivable	13,560	-	-
		KSCMMT	1	Sales	2,055	-	-
			1	Accounts receivable	2,104	-	-
			1	Other receivables	69,529	-	-
1	NBCMMT	CMVT	2	Sales	22,623	-	-
			2	Accounts receivable	8,782	-	-
		KSCMS	2	Sales	14,312	-	-
			2	Accounts receivable	4,592	-	-
			2	Purchases	9,743	-	-
			2	Accounts payable	4,251	-	-
2	KSCMMT	KSCMS	1	Interest revenue	2,071	-	-
			1	Other receivables	242,147	-	-

Notes:

(1) No. 1 represents transaction from the parent company to a subsidiary.
No. 2 represents transactions between subsidiaries.

(2) Prices and terms were determined in accordance with mutual agreements.

TABLE 9

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	100.00	$ 1,030,437	$ (591,718)	$ (591,718)	Note 1
	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	205,000	205,000	20,500	68.33	119,438	(3,160)	(2,159)	Note 1
	CMMTI	Samoa Islands	Investment company	2,230,328	2,230,328	73,500	100.00	2,158,066	(10,627)	(10,627)	Note 1
	CTI	Tainan City, Taiwan	Investment company	50,000	50,000	5,000	100.00	29,889	(502)	(502)	Note 1
CTI	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	39,000	45,000	3,900	13.00	18,953	(3,160)	(451)	Note 1

Notes:

(1) Amount was recognized on the basis of audited financial statements.

(2) For investments in mainland China, refer to Table 10.

TABLE 10

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	Note
					Outflow	Inflow							
NBCMMT	Electronic component manufacture and sale	RMB 131,946	Note 1	$ 431,482 USD 13,300	$ -	$ -	$ 431,482 USD 13,300	$ (591,691) RMB (126,185)	100	$ (534,256) RMB (113,936)	$ 1,034,227 RMB 224,004	$ -	
KSCMMT	Electronic component manufacture and sale	RMB 948,460	Note 1	2,230,328 USD 73,500	-	-	2,230,328 USD 73,500	(9,987) RMB (1,842)	49	(10,596) RMB (2,039)	2,158,289 RMB 467,466	-	
KSCMS	Trade	RMB 20,000	Note 1	-	-	-	-	3,611 RMB 819	49	522 RMB 153	45,728 RMB 9,904	-	

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)	$2,661,810 (USD 86,800)	$6,427,340

Notes:

(1) The method of investment is reinvesting in an existing company through a third party.

(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 11

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	$ 4,190,800	43	Note	Note	Note	$ 3,165,821	15	$ 3,827	Note

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

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements for the Six Months Ended June 30, 2016 and 2017 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 June 30, 2016 and 2017 and the related consolidated statements of comprehensive income for the three months ended June 30, 2016 and 2017 and for the six months ended June 30, 2016 and 2017 and consolidated statements of changes in equity and cash flows for the six months ended June 30, 2016 and 2017. 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.

Our reviews also comprehended the translation of New Taiwan dollar amounts into U.S. dollar amounts, and based on our reviews, such translation has been made in conformity with the basis stated in Note 4 e. Such U.S. dollar amounts are presented solely for the convenience of readers.

Deloitte & Touche
Hsinchu, Taiwan
Republic of China

August 11, 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.*

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	June 30, 2016 (Reviewed) NT$	December 31, 2016 (Audited) NT$	June 30, 2017 (Reviewed) NT$	June 30, 2017 (Reviewed) US$ (Note 4)
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 28)	$ 3,828,272	$ 4,341,520	$ 2,712,267	$ 89,278
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	5,350	167,266	-	-
Available-for-sale financial assets - current (Notes 8 and 28)	988,994	12,028	-	-
Accounts receivable, net (Notes 9 and 28)	2,834,232	2,979,938	3,240,224	106,656
Accounts receivable - related parties (Notes 9, 28 and 29)	-	-	253,042	8,329
Other receivables (Note 9)	104,342	106,359	24,692	813
Other receivables - related parties (Notes 9 and 29)	5	5	5	-
Inventories (Note 10)	1,639,470	2,041,903	2,414,026	79,461
Other current assets (Note 15)	400,860	827,578	955,071	31,438
Total current assets	9,801,525	10,476,597	9,599,327	315,975
NON-CURRENT ASSETS				
Property, plant and equipment (Note 12)	7,107,354	9,639,819	11,279,088	371,267
Goodwill (Note 13)	8,056	8,056	8,929	294
Other intangible assets (Note 14)	43,798	50,552	105,861	3,485
Deferred tax assets (Notes 4 and 23)	-	-	41,957	1,381
Other non-current assets (Note 15)	908,045	427,768	407,842	13,425
Total non-current assets	8,067,253	10,126,195	11,843,677	389,852
TOTAL	$ 17,868,778	$ 20,602,792	$ 21,443,004	$ 705,827

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2016 (Reviewed) NT$	December 31, 2016 (Audited) NT$	June 30, 2017 (Reviewed) NT$	June 30, 2017 (Reviewed) US$ (Note 4)
CURRENT LIABILITIES				
Short-term bank loans (Notes 16 and 28)	$ 1,397,625	$ 3,451,626	$ 3,331,331	$ 109,655
Short-term bills payable (Notes 16 and 28)	-	-	100,000	3,292
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	-	19,822	5,022	165
Notes payable (Notes 17 and 28)	-	-	251,219	8,269
Accounts payable (Notes 17 and 28)	1,610,401	1,864,954	1,409,048	46,381
Accrued profit compensation to employees and remuneration of directors and supervisors (Notes 21 and 22)	31,982	-	-	-
Payables for dividends (Note 21)	257,864	-	-	-
Other payables (Note 18)	434,130	804,422	1,601,931	52,730
Other payables - related parties (Note 29)	567	269	360	12
Current tax liabilities (Notes 4 and 23)	65,421	436	383	13
Provisions - current (Note 19)	-	1,647	-	-
Current portion of long-term bank loans (Notes 16 and 28)	-	1,345,181	2,537,562	83,527
Other current liabilities (Note 18)	31,937	32,059	136,798	4,503
Total current liabilities	3,829,927	7,520,416	9,373,654	308,547
NON-CURRENT LIABILITIES				
Long-term bank loans (Note 16)	-	-	-	-
Deferred tax liabilities (Notes 4 and 23)	117,611	82,759	-	-
Guarantee deposits	75	85	169	6
Total non-current liabilities	117,686	82,844	169	6
Total liabilities	3,947,613	7,603,260	9,373,823	308,553
EQUITY ATTRIBUTABLE TO THE OWNERS OF CMMT (Note 21)				
Share capital				
Common shares	5,157,285	5,157,285	5,157,285	169,759
Capital surplus	450,699	453,761	453,761	14,936
Retained earnings				
Legal reserve	1,085,124	1,085,124	1,085,124	35,718
Special reserve	36,849	36,849	202,973	6,681
Unappropriated earnings	4,813,080	4,182,188	3,318,518	109,234
	5,935,053	5,304,161	4,606,615	151,633
Other equity	(21,499)	(202,973)	(294,726)	(9,701)
Total equity attributable to the owners of CMMT	11,521,538	10,712,234	9,922,935	326,627
NON-CONTROLLING INTERESTS (Note 21)	2,399,627	2,287,298	2,146,246	70,647
Total equity	13,921,165	12,999,532	12,069,181	397,274
TOTAL	$ 17,868,778	$ 20,602,792	$ 21,443,004	$ 705,827

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

(With Deloitte & Touche review report dated August 11, 2017)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
NET SALES	$ 2,630,909	$ 2,770,193	$ 91,185	$ 4,978,123	$ 5,504,982	$ 181,204
COST OF SALES (Notes 10 and 22)	2,769,081	2,980,281	98,100	5,143,224	5,891,602	193,930
GROSS LOSS	(138,172)	(210,088)	(6,915)	(165,101)	(386,620)	(12,726)
OPERATING EXPENSES (Notes 22 and 29)						
Selling and marketing expenses	55,393	53,137	1,749	109,240	97,835	3,221
General and administrative expenses	50,202	69,983	2,304	93,554	123,605	4,069
Research and development expenses	76,450	107,628	3,543	142,136	205,042	6,749
Total operating expenses	182,045	230,748	7,596	344,930	426,482	14,039
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 32)	(180)	-	-	(43,159)	-	-
LOSS FROM OPERATIONS	(320,397)	(440,836)	(14,511)	(553,190)	(813,102)	(26,765)
NON-OPERATING INCOME AND EXPENSES (Notes 22 and 29)						
Other income	20,008	17,944	591	31,693	32,644	1,075
Other gains and losses	(136,802)	105,853	3,484	(281,519)	(77,688)	(2,557)
Finance costs	(4,815)	(31,317)	(1,031)	(9,838)	(41,423)	(1,364)
Total non-operating income and expenses	(121,609)	92,480	3,044	(259,664)	(86,467)	(2,846)
LOSS BEFORE INCOME TAX	(442,006)	(348,356)	(11,467)	(812,854)	(899,569)	(29,611)
INCOME TAX (EXPENSES) BENEFITS (Notes 4 and 23)	(49,524)	28,624	(942)	(39,542)	119,947	3,948
NET LOSS FOR THE PERIOD	(491,530)	(319,732)	(12,409)	(852,396)	(779,622)	(25,663)
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	(107,807)	86,573	2,850	(127,124)	(156,577)	(5,154)
Unrealized loss on available-for-sale financial assets	(4,801)	(38)	(1)	(3,179)	(28)	(1)
Other comprehensive income (loss) for the period, net of income tax	(112,608)	86,535	2,849	(130,303)	(156,605)	(5,155)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ (604,138)	$ (233,197)	$ (9,560)	$ (982,699)	$ (936,227)	$ (30,818)
NET LOSS ATTRIBUTABLE TO:						
Owners of CMMT	$ (491,396)	$ (249,245)	$ (8,204)	$ (853,029)	$ (697,546)	$ (22,961)
Non-controlling interests	(134)	(70,487)	(2,320)	633	(82,076)	(2,702)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
	$ (491,530)	$ (319,732)	$ (10,524)	$ (852,396)	$ (779,622)	$ (25,663)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:						
Owners of CMMT	$ (603,564)	$ (199,818)	$ (6,577)	$ (982,022)	$ (789,299)	$ (25,981)
Non-controlling interests	(574)	(33,379)	(1,099)	(677)	(146,928)	(4,836)
	$ (604,138)	$ (233,197)	$ (7,676)	$ (982,699)	$ (936,227)	$ (30,817)
LOSS PER SHARE (Note 24)						
Basic loss per share	$ (0.95)	$ (0.48)	$ (0.02)	$ (1.65)	$ (1.35)	$ (0.04)
Diluted loss per share	$ (0.95)	$ (0.48)	$ (0.02)	$ (1.65)	$ (1.35)	$ (0.04)

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

(With Deloitte & Touche review report dated August 11, 2017) (Concluded)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)
(Reviewed, Not Audited)

	Equity Attributable to Owners of CMMT (Note 21)										
	Share Capital			Retained Earnings			Other Equity				
	Shares (In Thousand)	Common Shares	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchanges Differences On Translation Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interests (*Note 21*)	Total Equity
BALANCE AT JANUARY 1, 2016	515,729	$ 5,157,285	$ 400,487	$ 980,245	$ 36,849	$ 6,028,852	$ 96,357	$ 11,137	$ 12,711,212	$ 221,941	$ 12,933,153
Appropriation of prior year's earnings											
Legal reserve	-	-	-	104,879	-	(104,879)	-	-	-	-	-
Cash dividends 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 six months ended June 30, 2016	-	-	-	-	-	(853,029)	-	-	(853,029)	633	(852,396)
Other comprehensive income (loss) for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	-	(121,777)	(7,216)	(128,993)	(1,310)	(130,303)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	-	(853,029)	(121,777)	(7,216)	(982,022)	(677)	(982,699)
BALANCE AT JUNE 30, 2016	515,729	$ 5,157,285	$ 450,699	$ 1,085,124	$ 36,849	$ 4,813,080	$ (25,420)	$ 3,921	$ 11,521,538	$ 2,399,627	$ 13,921,165
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 six months ended June 30, 2017	-	-	-	-	-	(697,546)	-	-	(697,546)	(82,076)	(779,622)
Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	(91,730)	(23)	(91,753)	(64,852)	(156,605)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	(697,546)	(91,730)	(23)	(789,299)	(146,928)	(936,227)
BALANCE AT JUNE 30, 2017	515,729	$ 5,157,285	$ 453,761	$ 1,085,124	$ 202,973	$ 3,318,518	$ (294,726)	$ -	$ 9,922,935	$ 2,146,246	$ 12,069,181
BALANCE AT JUNE 30, 2017 (in U.S. Dollars, Note 4)	-	$ 169,759	$ 14,936	$ 35,718	$ 6,681	$ 109,234	$ (9,701)	$ -	$ 326,627	$ 70,647	$ 397,274

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

(With Deloitte & Touche review report dated August 11, 2017)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Six Months Ended June 30		
	2016	2017	
	NT$	*NT$*	*US$ (Note 4)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	$ (812,854)	$ (899,569)	$ (29,611)
Adjustments for:			
Depreciation expenses	433,761	428,642	14,109
Amortization expenses	10,847	15,697	517
Finance costs	9,838	41,423	1,364
Recognition (reversal) of provisions	9,874	(64)	(2)
Interest income	(28,636)	(18,154)	(598)
Write-down of inventories	76,397	280,795	9,243
Net loss (gain) on fair value change of financial assets and liabilities at fair value through profit or loss	976	(24,462)	(805)
Net gain on disposal of available-for-sale financial assets	(6,067)	(45)	(1)
Net loss on foreign currency exchange	97,835	244,797	8,058
Changes in operating assets and liabilities:			
Accounts receivable	666,565	(323,150)	(10,637)
Accounts receivable - related parties	-	(253,042)	(8,329)
Other receivables	(50,939)	77,487	2,551
Inventories	376,889	(636,296)	(20,945)
Prepayments	19,452	57,904	1,906
Other current assets	(73,993)	(175,262)	(5,769)
Notes payable	-	251,219	8,269
Accounts payable	(314,415)	(543,062)	(17,876)
Provisions	(9,874)	(1,583)	(52)
Other payables	(131,947)	(59,911)	(1,972)
Other current liabilities	(567)	104,528	3,441
Cash generated from (used in) operations	273,142	(1,432,108)	(47,139)
Interest paid	(10,008)	(42,642)	(1,405)
Income tax paid	(141,616)	(1,924)	(63)
Net cash generated from (used in) operating activities	121,518	(1,476,674)	(48,607)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets designated as at fair value through profit or loss	-	(1,884,120)	(62,019)
Proceeds from sale of financial assets designated as at fair value through profit or loss	-	2,056,359	67,688
Purchase of available-for-sale financial assets	(981,000)	-	-
Proceeds from sale of available-for-sale financial assets	190,359	12,045	396
Net cash inflow on acquisition of subsidiaries (Note 25)	-	5,343	176
Payments for property, plant and equipment	(831,556)	(1,322,217)	(43,523)
Proceeds from disposal of property, plant and equipment	2,578	-	-
Increase in refundable deposits	(333)	(8,400)	(277)
Payments for intangible assets	(3,788)	(27,715)	(912)
Decrease (increase) in other financial assets	764,154	(10,310)	(338)
(Increase) decrease in other non-current assets	(60)	794	26
Increase in prepayments for equipment	(188,720)	(65,839)	(2,167)
Interest received	22,464	22,452	739
Net cash used in investing activities	(1,025,902)	(1,221,608)	(40,211)

(Continued)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Six Months Ended June 30		
	2016	2017	
	NT$	*NT$*	*US$ (Note 4)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term bills payable	-	100,000	3,292
Repayments of short-term bank loans	(439,182)	(227,919)	(7,503)
Proceeds from long-term bank loans	-	1,192,381	39,249
Increase in refundable deposits	-	84	3
Changes in non-controlling interests	2,228,575	-	-
Net cash generated from financing activities	1,789,393	1,064,546	35,041
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	11,116	4,483	148
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	896,125	(1,629,253)	(53,629)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,932,147	4,341,520	142,907
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 3,828,272	$ 2,712,267	$ 89,278

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

(With Deloitte & Touche review report dated August 11, 2017) (Concluded)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2017
(In Thousands, 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).

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 August 11, 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 25 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 29 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
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

(Continued)

(Concluded)

Notes:

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

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"

Recognition and measurement 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. The loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily 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 the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly its since 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.

When IFRS 15 and the related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

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 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
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note:

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

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.

The Corporation may elect to 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 6 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.

e. U.S. dollar amounts

The translation of New Taiwan dollar (NT$) amounts into U.S. dollars in the consolidated financial statements as of and for the six months ended June 30, 2017 is included solely for the convenience of readers, and has been made at the exchange rate of NT$30.38 to US$1.00 as on June 30, 2017 as set forth in the statistical release of the U.S. Federal Reserve Board of the United States. The translation should not be construed as a representation that the NT$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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 six months ended June 30, 2017.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Cash on hand	$ 532	$ 726	$ 134,521	$ 4,428
Checking accounts and demand deposits	583,573	1,861,558	1,748,247	57,546
Cash equivalents				
Time deposits with original maturities less than 3 months	2,940,782	2,350,236	829,499	27,304
Repurchase agreements collateralized by bonds	303,385	129,000	-	-
	$ 3,828,272	$ 4,341,520	$ 2,712,267	$ 89,278

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:

	June 30, 2016	December 31, 2016	June 30, 2017
Bank deposits	0.001%-1.89%	0.001%-2.01%	0.001%-2.01%
Repurchase agreements collateralized by bonds	0.7%-0.9%	1.35%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Financial assets at FVTPL - current				
Financial assets designated as at FVTPL				
Structured deposit (a)	$ -	$ 167,266	$ -	$ -
Financial assets held for trading				
Derivative financial assets (not under hedge accounting)				
Foreign exchange forward contracts(b)	$ 5,350	$ -	$ -	$ -
Financial liabilities at FVTPL - current				
Financial liabilities held for trading				

Derivative financial assets (not under hedge accounting)				
Foreign exchange forward contracts (b)	$ -	$ 19,822	$ 5,022	$ 165

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)
June 30, 2016			
Sell	US$/JPY	2016.7.8	US$ 2,000/JPY 222,400
December 31, 2016			
Sell	US$/JPY	2017.1.5-2017.2.9	US$ 22,000/JPY 2,502,460
June 30, 2017			
Sell	US$/JPY	2017.7.7-2017.8.25	US$ 35,000/JPY 3,906,120
	US$/TWD	2017.7.21	US$ 6,000/TWD 181,296

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

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Current				
Domestic investments				
Mutual funds	$ 12,011	$ 12,028	$ -	$ -
Foreign investments				
Mutual funds	976,983	-	-	-
	$ 988,994	$ 12,028	$ -	$ -

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Accounts receivable	$ 2,834,232	$ 2,981,461	$ 3,240,224	$ 106,656
Accounts receivable - related parties	-	-	253,042	8,329
Less: Allowance for impairment loss	-	(1,523)	-	-
	$ 2,834,232	$ 2,979,938	$ 3,493,266	$ 114,985

(Continued)

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
Other receivables	$ 122,557	$ 124,574	$ 42,907	$ 1,413
Other receivables - related parties	5	5	5	-
Less: Allowance for impairment loss	(18,215)	(18,215)	(18,215)	(600)
	$ 104,347	$ 106,364	$ 24,697	$ 813

(Concluded)

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:

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
Not past due	$ 2,834,202	$ 2,981,461	$ 3,493,266	$ 114,985
Up to 30 days	30	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
91-120 days	-	-	-	-
More than 120 days	-	-	-	-
	$ 2,834,232	$ 2,981,461	$ 3,493,266	$ 114,985

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

The aging of receivables that were past due but not impaired was as follows:

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$*
Up to 30 days	$ 30	$ -	$ -	$ -
31-60 days	-	-	-	-
61-90 days	-	-	-	-
91-120 days	-	-	-	-
More than 120 days	-	-	-	-
	$ 30	$ -	$ -	$ -

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 June 30, 2016	$ -	$ -	$ -
Balance at January 1, 2017	$ 1,523	$ -	$ 1,523
Less: Amount written off during the period	(1,523)	-	(1,523)
Balance at June 30, 2017	$ -	$ -	$ -
Balance at June 30, 2017 (in U.S. Dollars, Note 4)	$ -	$ -	$ -

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 June 30, 2016 and 2017	$ 18,215	$ -	$ 18,215
Balance at June 30, 2017 (in U.S. Dollars, Note 4)	$ 600	$ -	$ 600

10. INVENTORIES

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
Finished goods	$ 453,416	$ 576,187	$ 389,267	$ 12,813
Work in progress	267,687	367,820	668,504	22,005
Raw materials	918,367	1,097,896	1,356,251	44,643
Commodities	-	-	4	-
	$ 1,639,470	$ 2,041,903	$ 2,414,026	$ 79,461

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

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Cost of inventories	$2,769,081	$2,980,281	$ 98,100	$5,143,224	$5,891,602	$ 193,930

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

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Write-down of inventories	$ 71,940	$ 227,788	$ 7,498	$ 76,397	$ 280,795	$ 9,243

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership June 30, 2016	December 31, 2016	June 30, 2017	Remark
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%	3)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership June 30, 2016	December 31, 2016	June 30, 2017	Remark
NBCMMT	Kunshan Chimei Materials Trading Corp. ("KSCMS")	Trade	100%	-	-	4)
KSCMMT	Kunshan Chimei Materials Trading Corp. ("KSCMS")	Trade	-	100%	100%	4)
CTI	Chi Mei Visual Technology Corporation ("CMVT")	Electronic component manufacture and sale	15%	13%	13%	5)

(Concluded)

Remarks:

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

2) KK, whose original name was Jin Jiang Corporation (JJ), was invested in by Zhejiang Hengjie Co., Ltd. (ZH) in the amount of JPY 23,000 thousand on June 29, 2016. ZH held a 100% interest in KK. On March 3, 2017, the Corporation had injected JPY 47,000 thousand into JJ, which raised the Corporation's percentage of ownership over KK to 67.14%.

3) KSCMMT was incorporated in June 2014 with an expected total capital of US$150,000 thousand. The Corporation acquired 49% of KSCMMT's equity with an investment of US$73,500 thousand. Since KSCMMT was incorporated, the source of all of its paid-in capital, which amounted to US$73,500 thousand, was from investments by the Corporation, thereby leading to the Corporation's indirect holding of 100% of KSCMMT. On August 12, 2015, Kunshan Development Zone Guotou Holding Co., Ltd. ("KDZG Holding") and Kunshan Economic and Technological Development Zone Industrial Development Co., Ltd. ("KETDZID") together invested a total of US$5,871 thousand, thereby leading to the Corporation indirectly holding 92.6% of KSCMMT. On October 20, 2015, it was agreed in the Corporation's board meeting that the capital injection of US$5,871 thousand invested by KDZG Holding and KETDZID to acquire 3.91% equity and the remaining expected capital of US$70,629 thousand to acquire 47.09% equity, which had not as of yet been invested, amounting to 51% equity, would be transferred from KDZG Holding and KETDZID to Hangzhou Jin Jiang Group Co., Ltd. ("Jin Jiang Group") in the amount of 46% equity and to Zhejiang Renyuan Import & Export Co. Ltd. ("Renyuan Co.") in the amount of 5% equity, respectively. As of May 16, 2016, Jin Jiang Group and Renyuan Co. invested US$69,000 thousand and US$7,500 thousand, respectively, to raise KSCMMT's total paid-in capital to US$150,000 thousand, reaching 100% of its expected registered capital. As of December 31, 2016, the Corporation's percentage of ownership over KSCMMT is 49%.

The Corporation holds a 49% interest in KSCMMT. Based on the contractual arrangements between the Corporation and other investors, the Corporation has the power to appoint the chairman of the board and the general manager of KSCMMT who both have the power to direct the relevant activities of KSCMMT. Therefore, the directors of CMMT concluded that the Corporation has the practical ability to direct the relevant activities of KSCMMT, and hence the Corporation has control over KSCMMT.

4) NBCMMT transferred 100% of its ownership over KSCMS to KSCMMT in August 2016. As a result, the Corporation's indirect holdings of KSCMS is 49%.

5) CTI disposed of a portion of its stock in CMVT for NT$6,000 thousand (US$197 thousand) in December 2016, reducing its continuing interest from 15% to 13%.

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

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

See Table 6 following the Notes to Consolidated Financial Statements for the information on the place of incorporation and principal place of business.

	Profit (Loss) Allocated to Non-controlling Interests						Accumulated Non-controlling Interests			
	For the three months ended June 30			For the six months ended June 30			June 30, 2016	December 31, 2016	June 30, 2017	
	2016	2017		2016	2017					
Name of Subsidiary	*NT$*	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*NT$*	*US$ (Note 4)*
KSCMMT	$ (461)	$(68,705)	$ (2,261)	$ (1,125)	$(78,733)	$ (2,592)	$2,359,344	$2,246,382	$2,102,855	$ 69,218
Others	327	(1,782)	(59)	1,758	(3,343)	(110)	40,283	40,916	43,391	1,429

$ (134)	$(70,487)	$ (2,320)	$ 633	$(82,076)	$ (2,702)	$2,399,627	$2,287,298	$2,146,246	$ 70,647

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:

	June 30, 2016	December 31, 2016	June 30,2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Current assets	$ 2,837,945	$ 2,202,529	$ 2,653,459	$ 87,342
Non-current assets	1,796,531	4,326,159	6,320,368	208,044
Current liabilities	(8,311)	(2,124,018)	(4,850,488)	(159,661)
Non-current liabilities	-	-	(94)	(3)
Equity	$ 4,626,165	$ 4,404,670	$ 4,123,245	$ 135,722
Equity attributable to:				
Owners of CMMT	$ 2,266,821	$ 2,158,288	$ 2,020,390	$ 66,504
Non-controlling interests of KSCMMT	2,359,344	2,246,382	2,102,855	69,218
	$ 4,626,165	$ 4,404,670	$ 4,123,245	$ 135,722

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Revenue	$ -	$ 350,154	$ 11,526	$ -	$ 414,674	$ 13,650
Net loss for the year	$ (4,414)	$ (134,716)	$ (4,434)	$ (13,386)	$ (154,378)	$ (5,082)
Other comprehensive income (loss) for the year	7,983	72,763	2,395	7,983	(127,051)	(4,182)
Total comprehensive income (loss) for the year	$ 3,569	$ (61,953)	$ (2,039)	$ (5,403)	$ (281,429)	$ (9,264)
Loss attributable to:						
Owners of CMMT	$ (3,953)	$ (66,011)	$ (2,173)	$ (12,261)	$ (75,645)	$ (2,490)
Non-controlling interests of KSCMMT	(461)	(68,705)	(2,261)	(1,125)	(78,733)	(2,592)
	$ (4,414)	$ (134,716)	$ (4,434)	$ (13,386)	$ (154,378)	$ (5,082)
Total comprehensive income (loss) attributable to:						
Owners of CMMT	$ 3,912	$ 35,654	$ 1,174	$ 3,912	$ (62,255)	$ (2,049)

Non-controlling interests of KSCMMT	4,071	37,109	1,221	4,071	(64,796)	(2,133)
	$ 7,983	$ 72,763	$ 2,395	$ 7,983	$ (127,051)	$ (4,182)

	For the Six Months Ended June 30		
	2016	2017	
	NT$	*NT$*	*US$* *(Note 4)*
Net cash inflows (outflows) from:			
Operating activities	$ (106,260)	$ (611,846)	$ (20,140)
Investing activities	(1,525,990)	(1,285,338)	(42,308)
Financing activities	2,287,150	1,307,648	43,043
Net cash inflows (outflows)	$ 654,900	$ (589,536)	$ (19,405)

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
	NT$	*NT$*	*NT$*	*NT$*	*NT$*	*NT$*	*NT$*	*NT$*
<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	-	14,914	37,119	3,066	23,129	1,517	501,125	580,870
Disposals	-	-	(214,515)	(3,996)	(24,252)	(17,169)	-	(259,932)
Effect of foreign currency exchange differences	-	(10,844)	(23,179)	(707)	(3,115)	(1,425)	(35,236)	(74,506)
Reclassification	-	1,875	163,521	3,233	12,200	5,990	(9,569)	177,250
Balance at June 30, 2016	$ 1,428,543	$ 3,630,282	$ 5,283,306	$ 62,912	$ 3,513,742	$ 238,040	$ 1,127,261	$ 15,284,086
<u>Accumulated depreciation</u>								
Balance at January 1, 2016	$ -	$ 1,016,412	$ 3,975,402	$ 36,412	$ 2,797,150	$ 191,039	$ -	$ 8,016,415
Disposals	-	-	(214,515)	(3,996)	(24,252)	(14,591)	-	(257,354)
Depreciation expenses	-	73,861	247,729	4,606	97,209	10,356	-	433,761
Effect of foreign currency exchange differences	-	(4,171)	(8,068)	(385)	(2,181)	(1,285)	-	(16,090)
Balance at June 30, 2016	$ -	$ 1,086,102	$ 4,000,548	$ 36,637	$ 2,867,926	$ 185,519	$ -	$ 8,176,732
Carrying amounts at June 30, 2016	$ 1,428,543	$ 2,544,180	$ 1,282,758	$ 26,275	$ 645,816	$ 52,521	$ 1,127,261	$ 7,107,354
<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	-	3,132	22,549	524	24,797	4,038	2,126,327	2,181,367
Disposals	-	-	(74)	(269)	-	(277)	-	(620)
Effect of foreign currency exchange differences	-	2,635	(17,562)	(615)	1,063	(1,168)	(163,410)	(179,057)
Reclassification	-	3,383,553	1,073,153	758	945,012	28,650	(5,388,456)	42,670
Balance at June 30, 2017	$ 1,428,543	$ 7,012,434	$ 6,447,313	$ 65,267	$ 4,526,652	$ 266,346	$ 753,626	$ 20,500,181
<u>Accumulated depreciation</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	-	-	(74)	(269)	-	(277)	-	(620)
Depreciation expenses	-	115,608	190,466	4,482	107,437	10,649	-	428,642
Effect of foreign currency exchange differences	-	(3,699)	(7,849)	(368)	(2,010)	(1,141)	(7,864)	(22,931)
Balance at June 30, 2017	$ -	$ 1,265,160	$ 4,382,894	$ 44,703	$ 3,063,014	$ 196,023	$ 269,299	$ 9,221,093
Carrying amounts at December 31, 2016 and January 1, 2017	$ 1,428,543	$ 2,469,863	$ 1,168,896	$ 24,011	$ 598,193	$ 48,311	$ 3,902,002	$ 9,639,819
Carrying amounts at June 30, 2017	$ 1,428,543	$ 5,747,274	$ 2,064,419	$ 20,564	$ 1,463,638	$ 70,323	$ 484,327	$ 11,279,088

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
	US$ *(Note 4)*	*US$* *(Note 4)*	*US$* *(Note 4)*	*US$* *(Note 4)*	*US$* *(Note 4)*	*US$* *(Note 4)*	*US$* *(Note 4)*	*US$* *(Note 4)*
<u>Cost</u>								
Balance at January 1, 2017	$ 47,022	$ 119,260	$ 176,736	$ 2,135	$ 117,044	$ 7,737	$ 137,564	$ 607,498
Additions	-	103	742	17	816	133	69,991	71,802
Disposals	-	-	(2)	(9)	-	(9)	-	(20)
Effect of foreign currency exchange differences	-	87	(578)	(20)	35	(37)	(5,379)	(5,892)
Reclassification	-	111,374	35,324	25	31,106	943	(177,369)	1,403
Balance at June 30, 2017	$ 47,022	$ 230,824	$ 212,222	$ 2,148	$ 149,001	$ 8,767	$ 24,807	$ 674,791
<u>Accumulated depreciation</u>								

Balance at January 1, 2017	$ -	$ 37,962	$ 138,260	$ 1,345	$ 97,353	$ 6,147	$ 9,123	$ 290,190
Disposals	-	-	(2)	(9)	-	(9)	-	(20)
Depreciation expenses	-	3,805	6,269	148	3,536	351	-	14,109
Effect of foreign currency exchange differences	-	(122)	(258)	(13)	(66)	(37)	(259)	(755)
Balance at June 30, 2017	$ -	$ 41,645	$ 144,269	$ 1,471	$ 100,823	$ 6,452	$ 8,864	$ 303,524
Carrying amounts at December 31, 2016 and January 1, 2017	$ 47,022	$ 81,298	$ 38,476	$ 790	$ 19,691	$ 1,590	$ 128,441	$ 317,308
Carrying amounts at June 30, 2017	$ 47,022	$ 189,179	$ 67,953	$ 677	$ 48,178	$ 2,315	$ 15,943	$ 371,267

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 (US$9,582 thousand) 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

	June 30, 2016	June 30, 2017	
	NT$	*NT$*	*US$ (Note 4)*
Balance at the beginning of the period	$ 8,056	$ 8,056	$ 265
Additional amounts recognized from business combinations occurring during the period (Note 25)	-	873	29
Balance at the end of the period	$ 8,056	$ 8,929	$ 294

14. OTHER INTANGIBLE ASSETS

	Computer Software	Core Technology	Licenses and Franchises	Total
	NT$	*NT$*	*NT$*	*NT$*
<u>Cost</u>				
Balance at January 1, 2016	$ 50,420	$ 47,000	$ 9,200	$ 106,620
Additions	3,788	-	-	3,788
Balance at June 30, 2016	$ 54,208	$ 47,000	$ 9,200	$ 110,408

	Computer Software	Core Technology	Licenses and Franchises	Total
Accumulated amortization				
Balance at January 1, 2016 ...	$ 39,370	$ 16,842	$ 2,760	$ 58,972
Amortization expenses..........	4,368	2,350	920	7,638
Balance at June 30, 2016	$ 43,738	$ 19,192	$ 3,680	$ 66,610
Carrying amounts at June 30, 2016................................	$ 10,470	$ 27,808	$ 5,520	$ 43,798

(Continued)

	Computer Software	Core Technology	Licenses and Franchises	Total
	NT$	*NT$*	*NT$*	*NT$*
Cost				
Balance at January 1, 2017 ...	$ 69,525	$ 47,000	$ 9,200	$ 125,725
Additions..............................	27,715	-	-	27,715
Retirement............................	(27,289)			(27,289)
Reclassification....................	40,679	-	-	40,679
Effect of foreign currency exchange differences	(99)	-	-	(99)
Balance at June 30, 2017	$ 110,531	$ 47,000	$ 9,200	$ 166,731
Accumulated amortization				
Balance at January 1, 2017 ...	$ 49,031	$ 21,542	$ 4,600	$ 75,173
Amortization expenses..........	9,723	2,350	920	12,993
Retirement............................	(27,289)	-	-	(27,289)
Effect of foreign currency exchange differences	(7)	-	-	(7)
Balance at June 30, 2017	$ 31,458	$ 23,892	$ 5,520	$ 60,870
Carrying amounts at December 31, 2016 and January 1, 2017................	$ 20,494	$ 25,458	$ 4,600	$ 50,552
Carrying amounts at June 30, 2017................................	$ 79,073	$ 23,108	$ 3,680	$ 105,861

(Concluded)

	Computer Software	Core Technology	Licenses and Franchises	Total
	US$ (Note 4)	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*
Cost				
Balance at January 1, 2017	$2,289	$ 1,547	$ 303	$ 4,139
Additions..................................	912	-	-	912
Reclassification........................	1,339	-	-	1,339
Retirement...............................	(899)	-	-	(899)
Effect of foreign currency exchange differences	(2)	-	-	(2)
Balance at June 30, 2017	$ 3,639	$ 1,547	$ 303	$ 5,489
Accumulated amortization				
Balance at January 1, 2017	$ 1,614	$ 709	$ 152	$ 2,475
Amortization expenses.............	321	77	30	428
Retirement...............................	(899)	-	-	(899)
Effect of foreign currency exchange differences	-	-	-	-
Balance at June 30, 2017	$ 1,036	$ 786	$ 182	$ 2,004

Carrying amounts at December 31, 2016 and January 1, 2017	$ 675	$ 838	$ 151	$ 1,664
Carrying amounts at June 30, 2017	$ 2,603	$ 761	$ 121	$ 3,485

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

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Current				
Offset against business tax payables	$ 55,514	$ 212,243	$ 516,385	$ 16,998
Prepayments	75,079	282,733	224,918	7,403
Pledged time deposits (a) (Note 30)	239,731	134,032	144,342	4,751
Temporary payments	-	56,205	55,333	1,821
Prepayments for leases	6,222	5,929	5,665	186
Other financial assets (b)	4,500	4,800	4,800	158
Payments on behalf of others	16,453	30,740	3,628	121
Prepaid sales tax	-	100,896	-	-
Others	3,361	-	-	-
	$ 400,860	$ 827,578	$ 955,071	$ 31,438
Non-current				
Prepayments for leases	$ 282,077	$ 265,837	$ 255,678	$ 8,416
Prepayments for purchases of equipment	619,577	153,602	136,092	4,480
Refundable deposits	6,331	4,457	12,878	424
Others	60	3,872	3,194	105
	$ 908,045	$ 427,768	$ 407,842	$ 13,425

a. The market rate intervals of pledged time deposits were 1.21%-1.82%, 1.21%-1.65% and 0.35%-2.01% as of June 30, 2016, December 31, 2016 and June 30, 2017, respectively.

b. The market rate intervals of time deposits (investments with original maturities of more than three months) were 0.88%-1.17%, 0.91%-1.04% and 0.77%-1.04% as of June 30, 2016, December 31, 2016 and June 30, 2017, respectively.

16. LOANS

a. Short-term bank loans

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
Unsecured loans				
Line of credit loans	$ 1,397,625	$ 3,451,626	$ 3,331,331	$ 109,655

The range of weighted average effective interest rates on bank loans was 0.64%-2.24%, 0.56%-1.98% and 0.60%-4.79% per annum as of June 30, 2016, December 31, 2016 and June 30, 2017, respectively.

b. Short-term bills payable

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
Commercial paper	$ -	$ -	$ 100,000	$ 3,292

The interest rate on commercial paper was 0.85% per annum as of June 30, 2017.

c. Long-term bank loans

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$* *(Note 4)*
Unsecured loans				
Syndicated loans: Lead bank - Bank of Taiwan				
Repayable quarterly on interest from September 23, 2016; repayable from March 23, 2019 to September 23, 2021; annual floating interest rate at 3.10%-3.45% and 3.20% in 2016 and 2017, respectively	$ -	$ 1,345,181	$ 2,537,562	$ 83,527
Less: Reclassified as current portion due to breaching certain terms of long-term loan arrangement	-	1,345,181	2,537,562	83,527
Long-term bank loans	$ -	$ -	$ -	$ -

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

1) Current ratio: At least 100%;

2) Debt ratio: No more than 100%;

3) Interest coverage ratio: At least 3; and

4) Tangible net worth: At least NT$10,000,000 thousand (US$329,164 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 (US$44,279 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 June 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 June 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

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$* (*Note 4*)
Notes payable				
Operating	$ -	$ -	$ 251,219	$ 8,269
Accounts payable				
Operating	$ 1,610,401	$ 1,864,954	$ 1,409,048	$ 46,381

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

18. OTHER LIABILITIES

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$* (*Note 4*)
Current				
Other payables				
Payables for purchases of equipment	$ 50,640	$ 157,927	$ 1,153,043	$ 37,954
Payables for salaries or bonuses	132,068	235,698	153,159	5,041
Payables for annual leave	28,637	30,951	39,448	1,299
Payables for insurance premiums	15,810	17,898	18,350	604
Accrued taxes payable	639	6,951	9,629	317
Payables for purchases of land or buildings	388	145,750	9,189	303
Payables for interests	5,016	5,031	3,811	125
Payables for professional service fees	2,215	2,382	3,586	118
Others	198,717	201,834	211,716	6,969

	$ 434,130	$ 804,422	$ 1,601,931	$ 52,730
Other liabilities				
Advance receipts	$ 9,299	$ 6,644	$ 95,872	$ 3,156
Others	22,638	25,415	40,926	1,347
	$ 31,937	$ 32,059	$ 136,798	$ 4,503

19. PROVISIONS

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
<u>Current</u>				
Customer returns and rebates	$ -	$ 1,647	$ -	$ -

	Customer Returns and Rebates	Customer Returns and Rebates
	NT$	*US$ (Note 4)*
Balance at January 1, 2017	$ 1,647	$ 54
Usage	(1,583)	(52)
Reversing un-usage balances	(64)	(2)
Balance at June 30, 2017	$ -	$ -

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$10,302 thousand, NT$11,562 thousand (US$381 thousand), NT$20,585 thousand and NT$22,631 thousand (US$745 thousand) in the consolidated statements of comprehensive income for the three months ended June 30, 2016 and 2017 and for the six months ended June 30, 2016 and 2017, respectively.

21. EQUITY

a. Share capital

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Numbers of shares authorized (in thousands)	600,000	600,000	600,000	19,750
Shares authorized	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 197,500
Number of shares issued and fully paid (in thousands)	515,729	515,729	515,729	16,976
Shares issued	$ 5,157,285	$ 5,157,285	$ 5,157,285	$ 169,759

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 (US$230,415 thousand). However, the registration of change has not been completed.

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

On December 20, 2016, CMMT's board of directors approved to increase its capital by an issuance of 100,000 thousand to 150,000 thousand common shares by sponsoring the issuance of global depositary shares. On March 30, 2017, the issuance of the shares by the sponsoring of the issuance of global depositary shares was registered as effective by the FSC under Issue No. 1060008354. On June 15, 2017, the issuance of the shares by the sponsoring of the issuance of global depositary shares was postponed to September 30, 2017 and registered as effective by the FSC under issue No.1060023922 on June 26, 2017.

b. Capital surplus

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)				
Share premium	$ 400,487	$ 400,487	$ 400,487	$ 13,183
From differences between purchasing price and carrying amount arising from acquisition or disposal of subsidiaries	-	3,062	3,062	100
May only be used to offset a deficit (2)				
From changes in equities of subsidiaries	50,212	50,212	50,212	1,653
	$ 450,699	$ 453,761	$ 453,761	$ 14,936

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

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

d. Special reserves

	For the Six Months Ended June 30, 2017	
	NT$	*US$ (Note 4)*
Beginning at January 1	$ -	$ -
Appropriations in respect of debits to other equity items	166,124	5,468
Balance at June 30	$ 166,124	$ 5,468

e. Others equity items

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

	For the six months ended June 30		
	2016	2017	
	NT$	*NT$*	*US$ (Note 4)*
Balance at January	$ 96,357	$ (202,996)	$ (6,682)
Exchange differences arising on translating the financial statements of foreign operations	(121,777)	(91,730)	(3,019)
Balance at June 30	$ (25,420)	$ (294,726)	$ (9,701)

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

	For the six months ended June 30		
	2016	2017	
	NT$	*NT$*	*US$ (Note 4)*
Balance at January 1	$ 11,137	$ 23	$ 1
Unrealized gain arising on revaluation of available-for-sale financial assets	(1,149)	22	-
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(6,067)	(45)	(1)

Balance at June 30	$ 3,921	$ -	$ -

f. Non-controlling interests

	For the six months ended June 30		
	2016	2017	
	NT$	*NT$*	*US$* *(Note 4)*
Balance at January 1	$ 221,941	$ 2,287,298	$ 75,290
Attributable to non-controlling interests:			
Share of profit (loss) for the period	633	(82,076)	(2,702)
Exchange difference arising on translation of foreign entities	(5,347)	(64,847)	(2,134)
Unrealized gains (loss) on available-for-sale financial assets	4,037	(5)	-
Non-controlling interest arising from acquisition of KK (see Note 25)	-	5,876	193
Changes in equity of subsidiaries	2,178,363	-	-
Balance at June 30	$ 2,399,627	$ 2,146,246	$ 70,647

22. NET PROFIT (LOSS)

a. Other operating income and expenses

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$* *(Note 4)*	*NT$*	*NT$*	*US$* *(Note 4)*
Net loss from disaster (Note 32)	$ (180)	$ -	$ -	$ (43,159)	$ -	$ -

b. Other income

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$* *(Note 4)*	*NT$*	*NT$*	*US$* *(Note 4)*
Interest income	$ 18,187	$ 9,545	$ 314	$ 28,636	$ 18,154	$ 598
Rental income	133	205	7	267	409	13
Other	1,688	8,194	270	2,790	14,081	464
	$ 20,008	$ 17,944	$ 591	$ 31,693	$ 32,644	$ 1,075

c. Other gains and losses

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$* *(Note 4)*	*NT$*	*NT$*	*US$* *(Note 4)*
Net foreign exchange (loss) gain	$ (172,621)	$ 99,440	$ 3,273	$ (344,834)	$ (112,205)	$ (3,694)

Net gain on disposal of available-for-sale financial assets	5,843	45	1	6,067	45	1
Net gain arising on financial assets designated as at FVTPL	-	5,644	186	-	9,662	318
Net gain arising on financial assets and liabilities held for trading	30,790	748	25	59,630	24,841	817
Others	(814)	(24)	(1)	(2,382)	(31)	1
	$ (136,802)	$ 105,853	$ 3,484	$ (281,519)	$ (77,688)	$ (2,557)

d. Finance costs

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Interest on bank loans	$ (4,618)	$ (30,763)	$ (1,013)	$ (9,464)	$ (40,332)	$ (1,328)
Other finance costs	(197)	(554)	(18)	(374)	(1,091)	(36)
	$ (4,815)	$ (31,317)	$ (1,031)	$ (9,838)	$ (41,423)	$ (1,364)

Information about capitalized interest was as follows:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Capitalized interest	$ -	$ -	$ -	$ -	$ 21,896	$ 721
Capitalization rate	-	-	-	-	3.2%	3.2%

e. Depreciation and amortization

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Property, plant and equipment	$ 207,097	$ 235,421	$ 7,749	$ 433,761	$ 428,642	$ 14,109
Intangible assets	4,013	7,981	263	7,638	12,993	428
Prepayment for leases	1,589	1,396	46	3,209	2,704	89
	$ 212,699	$ 244,798	$ 8,058	$ 444,608	$ 444,339	$ 14,626
An analysis of deprecation by function						
Operating costs	$ 195,437	$ 216,894	$ 7,139	$ 410,870	$ 391,770	$ 12,895

Operating expenses	11,660	18,527	610	22,891	36,872	1,214
	$ 207,097	$ 235,421	$ 7,749	$ 433,761	$ 428,642	$ 14,109
An analysis of amortization by function						
Operating costs	$ 631	$ 2,770	$ 91	$ 1,244	$ 4,127	$ 136
General and administrative expenses	3,323	4,958	163	6,307	8,273	272
Research and development expenses	1,648	1,649	54	3,296	3,297	109
	$ 5,602	$ 9,377	$ 308	$ 10,847	$ 15,697	$ 517

f. Employee benefits expense

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Post-employment benefits (Note 20)						
Defined contribution plans	$ 10,302	$ 11,562	$ 381	$ 20,585	$ 22,631	$ 745
Other employee benefits	362,542	426,240	14,030	682,532	845,876	27,843
Total employee benefits expense	$ 372,844	$ 437,802	$ 14,411	$ 703,117	$ 868,507	$ 28,588
An analysis of employee benefits expenses by function						
Operating costs	$ 321,540	$ 368,214	$ 12,120	$ 605,406	$ 728,431	$ 23,977
Operating expenses	51,304	69,588	2,291	97,711	140,076	4,611
	$ 372,844	$ 437,802	$ 14,411	$ 703,117	$ 868,507	$ 28,588

g. Employee’s compensation and remuneration of directors and supervisors

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of CMMT approved by the shareholders in their meeting on June 20, 2016, 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 six months ended June 30, 2016 and 2017; 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 2016 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Foreign exchange gains	$ 114,785	$ 138,231	$ 4,550	$ 218,378	$ 166,596	$ 5,484
Foreign exchange losses	(287,406)	(38,791)	(1,277)	(563,212)	(278,801)	(9,178)
	$ (172,621)	$ 99,440	$ 3,273	$ (344,834)	$ (112,205)	$ (3,694)

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Current tax						
In respect of the current period	$ -	$ 644	$ 21	$ -	$ (1,895)	$ (63)
Income tax on unappropriated earnings	(64,732)	-	-	(64,732)	-	-
Adjustments for prior period	4,410	-	-	1,136	(127)	(4)
Deferred tax						
In respect of the current period	10,798	27,980	921	24,054	121,969	4,015
Income tax (expenses) benefits recognized in profit or loss	$ (49,524)	$ 28,624	$ 942	$ (39,542)	$ 119,947	$ 3,948

As of June 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:

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

b. Integrated income tax

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Unappropriated earnings Generated on or after January 1, 1998	$ 4,813,080	$ 4,182,188	$ 3,318,518	$ 109,234
Shareholder-imputed credits account	$ 604,599	$ 568,411	$ 568,343	$ 18,708

The creditable ratio for the distribution of earnings for the year ended December 31, 2015 was 10.03%. 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.

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 June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Basic and diluted loss per share	$ (0.95)	$ (0.48)	$ (0.02)	$ (1.65)	$ (1.35)	$ (0.04)

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 June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Loss used in the computation of basic and diluted loss per share	$ (491,396)	$ (249,245)	$ (8,204)	$ (853,029)	$ (697,546)	$ (22,961)

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

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Weighted average number of common shares in computation of basic and diluted loss per share	515,729	515,729	16,976	515,729	515,729	16,976

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred	
				NT$	*US$ (Note 4)*
KK	Trade	March 3, 2017	67.14	$ 12,878	$ 424

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

b. Considerations transferred

	KK	
	NT$	*US$ (Note 4)*
Cash	$ 12,878	$ 424

c. Assets acquired and liabilities assumed at the date of acquisition

	KK	
	NT$	*US$ (Note 4)*
Current assets...		
Cash	$ 18,221	$ 600
Other receivables and other current assets	207	7
Non-current assets..		
Other assets	137	5
Current liabilities		
Other payables and other liabilities...	(684)	(24)
	$ 17,881	$ 588

d. Goodwill recognized on acquisitions

	KK	
	NT$	*US$ (Note 4)*
Consideration transferred..	$ 12,878	$ 424
Plus: Non-controlling interests (32.86% in KK)..................................	5,876	193

Less: Fair value of identifiable net assets acquired	(17,881)	(588)
Goodwill recognized on acquisitions	$ 873	$ 29

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	
	NT$	*US$ (Note 4)*
Consideration paid in cash	$ 12,878	$ 424
Less: Cash balances acquired	(18,221)	(600)
	$ (5,343)	$ (176)

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	
	NT$	*US$ (Note 4)*
Revenue	$ -	$ -
Loss	$ (1,096)	$ (36)

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$5,504,982 thousand (US$181,204 thousand) and the loss from continuing operations would have been NT$779,825 thousand (US$25,669 thousand) for the six months ended June 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.

26. 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	
	NT$	*US$*
Cash consideration received (paid)	$ -	$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred (to) from non-controlling interests	50,212	1,653
Differences recognized from equity transactions	$ 50,212	$ 1,653
<u>Line items adjusted for equity transactions</u>		
Capital surplus - share of changes in equities of subsidiaries	$ 50,212	$ 1,653
Retained earnings	-	-
	$ 50,212	$ 1,653

CMVT:

	December 28, 2016	
	NT$	*US$*
Cash consideration received (paid)	$ 6,000	$ 197
The proportionate share of the carrying amount of the net assets of the subsidiary transferred (to) from non-controlling interests	(2,938)	(97)
Differences recognized from equity transactions	$ 3,062	$ 100
<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	$ 3,062	$ 100
Retained earnings	-	-
	$ 3,062	$ 100

27. 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.

28. 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

June 30, 2016

	Level 1	Level 2	Level 3	Total
	NT$	*NT$*	*NT$*	*NT$*
Available-for-sale financial assets				
Mutual funds	$ 12,011	$ 976,983	$ -	$ 988,994
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 5,350	$ -	$ 5,350

December 31, 2016

	Level 1	Level 2	Level 3	Total
	NT$	*NT$*	*NT$*	*NT$*
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

June 30, 2017

	Level 1	Level 2	Level 3	Total
	NT$	*NT$*	*NT$*	*NT$*
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 5,022	$ -	$ 5,022

	Level 1	Level 2	Level 3	Total
	US$ (Note 4)	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 165	$ -	$ 165

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.

Foreign mutual funds	Fair values are determined by the present value of future cash flows based on the yield that is derived from the quoted market prices.

c. Categories of financial instruments

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Financial assets				
Fair value through profit or loss (FVTPL)				
Held for trading	$ 5,350	$ -	$ -	$ -
Designated as at FVTPL	-	167,266	-	-
Loans and receivables (1)	6,662,504	7,321,458	6,205,533	204,263
Available-for-sale financial assets	988,994	12,028	-	-
Financial liabilities				
Fair value through profit or loss (FVTPL)				
Held for trading	-	19,822	5,022	165
Amortized cost (2)	3,064,070	6,970,469	8,795,203	289,506

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 currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Corporation's activities exposed it primarily to the financial risk of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Corporation entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on dollar-denominated assets generated by sales and yen-denominated liabilities generated by the import of raw materials from Japan.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries and CMMT had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 77% of the Corporation's sales were denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 83% of costs were denominated in the group entity's functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Corporation was mainly exposed to the U.S. dollar and JPY.

The following table details the Corporation's sensitivity to a 0.5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign currency exchange rates is 0.5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the end of the reporting period for a 0.5% change in foreign currency rates. A positive number below indicates a decrease in the pre-tax profit associated with the New Taiwan dollar strengthening 0.5% against the relevant currency. For a 0.5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on the pre-tax profit, and the balances below would be negative.

U.S. Dollar Impact		JPY Impact	
For the Six Months Ended June 30		For the Six Months Ended June 30	
2016	2017	2016	2017

	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Profit or loss	$ 17,378	$ (7,986)(i)	$ (263)	$ (10,101)	$(4,721)(ii)	$ (155)

i. This was mainly attributable to the exposure outstanding on U.S. dollar receivables, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure outstanding on JPY payables, which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Corporation was exposed to interest rate risk because entities in the Corporation borrowed funds at 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:

	June 30, 2016	**December 31, 2016**	**June 30, 2017**	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Fair value interest rate risk				
Financial assets	$ 4,482,742	$ 2,797,362	$ 1,112,489	$ 36,619
Financial liabilities	-	3,320,411	2,857,990	94,075
Cash flow interest rate risk				
Financial assets	482,226	1,661,171	1,566,066	51,549
Financial liabilities	1,397,625	1,496,218	3,115,925	102,565

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 six months ended

June 30, 2016 and 2017 would decrease/increase by NT$1,144 thousand and NT$1,937 thousand (US$64 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 88%, 84% and 65% in total accounts receivable as of June 30, 2016, December 31, 2016 and June 30, 2017, 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 August 11, 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 June 30, 2016, December 31, 2016 and June 30, 2017, the Corporation had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

June 30, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
	NT$	*NT$*	*NT$*
Non-derivative financial liabilities			
Non-interest bearing	$ 1,644,120	$ 16,261	$ 660
Fixed interest rate liabilities	1,397,625	-	-
	$ 3,041,745	$ 16,261	$ 660

December 31, 2016

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

June 30, 2017

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
	NT$	*NT$*	*NT$*
Non-derivative financial liabilities			
Non-interest bearing	$ 2,812,459	$ 8,954	$ 1,086
Variable interest rate liabilities	538,857	2,577,068	-
Fixed interest rate liabilities	2,332,334	525,656	-
	$ 5,683,650	$ 3,111,678	$ 1,086

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
	US$ (Note 4)	*US$ (Note 4)*	*US$ (Note 4)*
Non-derivative financial liabilities			
Non-interest bearing	$ 92,576	$ 295	$ 36
Variable interest rate liabilities	17,737	84,828	-
Fixed interest rate liabilities	76,772	17,302	-
	$ 187,085	$ 102,425	$ 36

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.

June 30, 2016

	On Demand or Less than 6 Months	**6 Months to 1 Year**	**1-3 Years**	**4-5 Years**	**5+ Years**
	NT$	*NT$*	*NT$*	*NT$*	*NT$*
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 69,900	$ -	$ -	$ -	$ -
Outflows	64,550	-	-	-	-

December 31, 2016

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

June 30, 2017

	On Demand or Less than 6 Months	**6 Months to 1 Year**	**1-3 Years**	**4-5 Years**	**5+ Years**
	NT$	*NT$*	*NT$*	*NT$*	*NT$*
Gross settled					
Foreign exchange forward contracts					
Inflows	$1,242,198	$ -	$ -	$ -	$ -
Outflows	1,247,220	-	-	-	-

	On Demand or Less than6 Months	**6 Months to 1 Year**	**1-3 Years**	**4-5 Years**	**5+ Years**
	US$ (Note 4)	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*	*US$ (Note 4)*
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 40,889	$ -	$ -	$ -	$ -

Outflows	41,054	-	-	-	-

c) Financing facilities

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Unsecured bank loans facility, reviewed annually and payable at call:				
Amount used	$ 2,190,926	$ 6,131,674	$ 14,331,109	$ 471,728
Amount unused	16,020,983	18,636,794	20,795,192	684,503
	$ 18,211,909	$ 24,768,468	$ 35,126,301	$ 1,156,231

29. 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 June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Affiliates	$ -	$ 211,891	$ 6,975	$ -	$ 211,891	$ 6,975

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

c. Receivables

Account Categories	Related Party Categories	June 30, 2016	December 31, 2016	June 30, 2017	
		NT$	*NT$*	*NT$*	*US$ (Note 4)*
Accounts receivable	Affiliates	$ -	$ -	$ 253,042	$ 8,329
Other receivables	Affiliates	5	5	5	-
		$ 5	$ 5	$ 253,047	$ 8,329

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

d. Other payables

Related Party Categories	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Affiliates	$ 502	$ 269	$ 216	$ 7
Investors that have significant influence over the Corporation	65	-	144	5
	$ 567	$ 269	$ 360	$ 12

e. Operating expenses

Related Party Categories	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Affiliates	$ 5,912	$ 206	$ 7	$ 11,425	$ 412	$ 14
Investors that have significant influence over the Corporation	123	277	9	650	699	23
	$ 6,035	$ 483	$ 16	$ 12,075	$ 1,111	$ 37

f. Other income

Related Party Categories	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Affiliates	$ 254	$ -	$ -	$ 254	$ -	$ -

g. Rental income

Related Party Categories	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Affiliates	$ 13	$ 13	$ -	$ 27	$ 27	$ 1

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	For the Three Months Ended June 30	For the Six Months Ended June 30

Categories	2016	2017		2016	2017	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Short-term employee benefits...............	$ 4,828	$ 5,385	$ 177	$ 16,904	$ 13,119	$ 432
Post-employment benefits...............	165	114	4	329	234	8
	$ 4,993	$ 5,499	$ 181	$ 17,233	$ 13,353	$ 440

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	*NT$*	*NT$*	*US$ (Note 4)*
Restricted assets - pledged deposits	$ 239,731	$ 134,032	$ 144,342	$ 4,751

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

	June 30, 2016	December 31, 2016	June 30, 2017
JPY..	$ 4,871,954	$ 3,519,324	$ 3,545,886
RMB	-	-	9,610
EUR	1,580	1,860	1,860
USD	-	584	709

b. As of June 30, 2016, December 31, 2016 and June 30, 2017, the amounts of guarantees provided by financial institutions for the purpose of importing goods were NT$10,000 thousand, NT$51,284 thousand and NT$58,044 thousand (US$1,911 thousand), respectively.

c. As of June 30, 2016, December 31, 2016 and June 30, 2017, the unpaid amounts of the construction contracts that the Corporation entered into for the expansion of factories and machinery equipment were NT$226,089 thousand, NT$1,196,174 thousand and NT$1,312,104 thousand (US$43,190 thousand), respectively.

32. SIGNIFICANT LOSSES FROM DISASTERS

Due to the earthquake on February 6, 2016, the Corporation recognized related earthquake losses of NT$43,159 thousand (including repair expenses of factories and impairment of inventories), net of insurance claims for the six months ended June 30, 2016.

33. 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:

June 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 129,477	32.275	$ 4,178,870
JPY	140,310	0.3143	44,099
RMB	2,445	4.845	11,846
Non-monetary items			
USD	166	32.275	5,350
Financial liabilities			
Monetary items			
USD	19,792	32.275	638,787
JPY	6,790,310	0.3143	2,134,194

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 140,701	32.25	$ 4,537,607
JPY	3,651,992	0.2756	1,006,489
RMB	7,545	4.617	34,835
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

June 30, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 105,376	30.42	$ 3,205,538
JPY	1,352,720	0.2716	367,399
RMB	2,153	4.486	9,658

<u>Financial liabilities</u>			
Monetary items			
USD	116,884	30.42	3,555,611
JPY	8,735,394	0.2716	2,372,533
EUR	589	34.72	20,450
RMB	1,711	4.486	7,676
Non-monetary items			
USD	165	30.42	5,022

For the three months ended June 30, 2016 and for the six months ended June 30, 2016 and 2017, realized and unrealized net foreign exchange losses were NT$172,621 thousand, NT$344,834 thousand and NT$112,205 thousand (US$3,694 thousand), respectively. For the three months ended June 30, 2017, realized and unrealized net foreign exchange gains were NT$99,440 thousand (US$3,273 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.

34. 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: None.

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 3

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4

9) Trading in derivative instruments: Note 28

10) Intercompany relationships and significant intercompany transactions: Table 5

11) Information on investees: Table 6

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name,

principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 8

   a) The amounts and percentages of purchases and the balances and percentages of the related payables at the end of the period.

   b) The amounts and percentages of sales and the balances and percentages of the related receivables at the end of the period.

35. 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 For the Three Months Ended June 30			**Segment Revenue For the Six Months Ended June 30**		
	2016	**2017**		**2016**	**2017**	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Taiwan operating entities	$ 1,756,411	$ 867,660	$ 28,560	$ 3,011,554	$ 2,016,185	$ 66,365
China operating entities	874,498	1,902,533	62,625	1,966,569	3,488,797	114,839
Others	-	-	-	-	-	-
Total from continuing operations	$ 2,630,909	$ 2,770,193	$ 91,185	$ 4,978,123	$ 5,504,982	$ 181,204

	Segment Profit or Loss For the Three Months Ended June 30			**Segment Profit or Loss For the Six Months Ended June 30**		
	2016	**2017**		**2016**	**2017**	
	NT$	*NT$*	*US$ (Note 4)*	*NT$*	*NT$*	*US$ (Note 4)*
Taiwan operating entities .	$ (270,894)	$ (150,812)	$ (4,964)	$ (483,625)	$ (345,070)	$ (11,359)
China operating entities ...	(49,503)	(289,041)	(9,514)	(69,565)	(466,936)	(15,370)
Others	-	(983)	(33)	-	(1,096)	(36)
Total from continuing operations	(320,397)	(440,836)	(14,511)	(553,190)	(813,102)	(26,765)
Net foreign exchange losses	(172,621)	99,440	3,273	(344,834)	(112,205)	(3,694)

Interest income	18,187	9,545	314	28,636	18,154	598
Gain on disposal of available-for-sale financial instruments	5,843	45	1	6,067	45	1
Net gain arising on financial assets designated as at FVTPL	-	5,644	186	-	9,662	318
Net gain arising on financial assets and liabilities held for trading	30,790	748	25	59,630	24,841	817
Finance costs	(4,815)	(31,317)	(1,031)	(9,838)	(41,423)	(1,364)
Others	1,007	8,375	276	675	14,459	478
Loss before income tax	$ (442,006)	$ (348,356)	$ (11,467)	$ (812,854)	$ (899,569)	$ (29,611)

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.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 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	$ 448,600 RMB 100,000	$ 448,600 RMB 100,000	$ 224,300 RMB 50,000	4.35%	Short-term financing	$ -	Operating capital	$ -	None	$ -	$ 1,649,298	$ 2,473,946

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.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 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	$ 4,961,468	$ 1,848,319 USD 60,760	$ 1,848,319 USD 60,760	$ 1,244,634 USD 40,915	$ -	18.63	$ 9,922,935	YES	NO	YES
1	KSCMMT	KSCMS	Subsidiary	2,473,946	2,377,580 RMB 530,000	2,377,580 RMB 530,000	434,292 RMB 96,810	-	57.66	4,123,244	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.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 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	$ 2,137,271	38.82	Open account 120 days	$ -	-	$ 2,140,582	66	-
CMMT	KSCMMT	100% indirectly held subsidiary of the Corporation	Sale	122,552	2.23	Open account 90 days	-	-	62,415	2	-
KSCMS	ZH	Subsidiary of investor with significant influence over the Corporation	Sale	211,891	3.85	Open account 90 days	-	-	253,042	7	-
NBCMMT	KSCMMT	Fellow subsidiary	Sale	155,651	2.83	Open account 90 days	-	-	125,462	4	-

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
JUNE 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	$ 2,140,582	1.61	$ -	-	$ 293,399	$ -
KSCMS	ZH	Subsidiary of investor with significant influence over the Corporation	253,042	3.35	-	-	89,720	-
NBCMMT	KSCMMT	Fellow subsidiary	25,462	4.95	-	-	17,619	-

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 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	$ 2,137,271	-	39%
			1	Accounts receivable	2,140,582	-	10%
			1	Other receivables	3,572	-	-
			1	Accounts payable	116,615	-	1%
			1	Other payables	7,673	-	-
		CMVT	1	Sales	2,078	-	-
			1	Accounts receivable	4,414	-	-
			1	Accounts payable	1,327	-	-
			1	Provisions	937	-	-
			1	Rental income	1,452	-	-
		KSCMMT	1	Sales	122,552	-	2%
			1	Accounts receivable	62,415	-	-
			1	Other receivables	500,561	-	2%
		KSCMS	1	Sales	23,854	-	-
			1	Accounts receivable	9,023	-	-
			1	Other receivable	1,783	-	-
2	NBCMMT	CMVT	2	Sales	8,126	-	-
			2	Accounts receivable	6,056	-	-
		KSCMMT	2	Sales	155,651	-	3%
			2	Accounts receivable	125,462	-	1%
		KSCMS	2	Sales	5,212	-	-
			2	Accounts payable	4,234	-	-
2	KSCMMT	KSCMS	1	Other receivables	224,620	-	1%
			1	Interest revenue	270	-	-

Note 1: No. 1 represents transaction from the parent company to a subsidiary.

No. 2 represents transactions between subsidiaries.

Note 2: Prices and terms were determined in accordance with mutual agreements.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE SIX MONTHS ENDED JUNE 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	$ 751,696	$ (227,214)	$ (227,214)	Note 1
	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	205,000	205,000	20,500	68.33	106,150	(15,979)	(10,918)	Note 1
	CMMTI	Samoa Islands	Investment company	2,230,328	2,230,328	73,500	100	1,913,414	(75,645)	(75,645)	Note 1
	CTI	Tainan City, Taiwan	Investment company	50,000	50,000	5,000	100	27,802	(2,083)	(2,083)	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	12,036	(1,299)	(736)	Note 1
CTI	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	39,000	39,000	3,900	13	27,802	(15,979)	(2,077)	Note 1

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: For investments in mainland China, refer to Table 7.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 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 June 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 June 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	$ (227,209) RMB (50,655)	100	$ (249,360) RMB (55,594)	$ 777,644 RMB 173,349	$ -	
KSCMMT	Electronic component manufacture and sale	RMB 948,460	Note 1	2,230,328 USD 73,500	-	-	2,230,328 USD 73,500	(154,378) RMB (34,875)	49	(75,645) RMB (17,089)	2,020,390 RMB 450,377	-	
KSCMS	Trade	RMB 50,000	Note 1	-	-	-	-	8,704 RMB 1,947	49	4,265 RMB 954	114,654 RMB 25,558	-	

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)	$ 5,953,761

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.

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 SIX MONTHS ENDED JUNE 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	$ 2,137,271	39	Note	Note	Note	$ 2,140,582	10	$ 25,979	Note

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

APPENDIX A – THE ROC SECURITIES MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Sole Global Coordinator, the Sole Lead Manager, the Sole Bookrunner, or any of the respective affiliates or advisers in connection with this offering. References to the ROC FSC in this section include both ROC Securities and Futures Commission and the ROC Securities and Exchange Commission, the predecessors of the Securities and Futures Bureau of the ROC FSC.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market, and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities market, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities market. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. On 1 July 2004, the ROC Securities and Futures Commission was renamed the ROC Securities and Futures Bureau (the "**ROC SFB**") and was reassigned to the jurisdiction of a new regulatory body, namely the ROC FSC.

The TWSE

In 1961, the ROC Securities and Exchange Commission, working together with private interests, established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms (firms which are permitted to combine the activities of brokerage, dealing and underwriting) must be made through the TWSE.

The TWSE commenced operations in 1962 and grew at a slow pace during the remainder of the 1960s, largely due to lack of experience among issuers and investors and an unwillingness on the part of ROC businesses to offer their shares to the public. During the early 1980s, the ROC Securities and Exchange Commission more actively encouraged new listings on the TWSE. The number of listed companies grew from 119 in 1983 to 900 as of 30 June 2017. As of 30 June 2017, the total market value of shares listed on the TWSE was approximately NT$30.8 trillion.

Historically ROC companies have listed only common shares and bonds. However, the ROC FSC has encouraged companies to list other types of securities as well. In 1988, the Ministry of Finance permitted the issuance of the ROC's first exchangeable bonds (such bonds being exchangeable at the option of the bondholders into shares of companies owned by the issuers). Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are listed on the TWSE and traded on the TPEx.

The ROC FSC has promulgated regulations that would permit foreign issuers to list their equity securities or Taiwan depositary receipts evidencing their equity securities on the TWSE. The TWSE has established specific requirements for listing mainly based on the number and distribution of a company's shareholders, years in existence, amount of paid-in capital and profitability. However, special listing criteria apply to technology companies and key businesses engaging in national economic development.

The following table shows information relating to the TWSE Index for the periods indicated:

Period ended 31 December	Number of listed companies at period end	Trading values NT$ (in billions)	Index high	Index low	Index at period end
1990……………………….	199	19,031.2	12,495.34	2,560.47	4,530.16
1991……………………….	221	9,682.7	6,305.22	3,316.26	4,600.67
1992……………………….	256	5,917.1	5,391.63	3,327.67	3,377.06
1993……………………….	285	9,056.7	6,070.56	3,135.56	6,070.56
1994……………………….	313	18,812.1	7,183.75	5,194.63	7,124,66
1995……………...……...	347	10,151.5	7,051.49	4,503.37	5,173.73
1996……………...……..	382	12,907.6	6,982.81	4,690.22	6,933.94
1997……………...……...	404	37,241.2	10,116.84	6,820.35	8,187.27
1998……………..……..	437	29,619.0	9,227.09	6,251.38	6,418.43
1999……………..……..	462	29,291.5	8,608.91	5,474.79	8,448.84
2000……………...……..	531	30,526.6	10,202.20	4,614.63	4,739.09
2001……………..……..	584	18,354.9	6,104.24	3,446.26	5,551.24
2002……………..……..	638	21,874.0	6,462.30	3,850.04	4,452.45
2003…………...…...……..	669	20,333.2	6,142.32	4,139.50	5,890.69
2004……………..……..	697	20,512.2	7,034.10	5,316.87	6,139.69
2005……………..……..	691	18,818.9	6,575.53	5,632.97	6,548.34
2006……………...……..	688	23,900.4	7,823.72	6,257.80	7,823.72
2007……………..……..	698	33,043.8	9809.88	7,344.56	8,506.28
2008……………..……..	718	26,115.4	9,295.20	4,089.93	4,591.22
2009……………...……..	741	29,680.5	8,188.11	4,242,61	8,188.11
2010……………..……..	758	28,218.7	8,972.50	7,071.67	8,972.50
2011……………...……..	790	26,197.4	29,145.35	6,633.33	7,072.08
2012……………..……..	809	20,238.2	8,144.04	6,894.66	7,699.50
2013……………..……..	838	18,940.9	8,623.43	7,616.64	8,611.51
2014……………..……..	854	21,898.5	9,569.17	8,264.48	9,307,26
2015……………..……..	874	20,191.5	9,973.12	7,410.34	8,338.06
2016……………..……..	892	18,915.6	9,392.68	7,664.01	9,253.50
2017 (up to 31 July)..…….....	900	11,871.6	10,513.96	9,272.88	10,427.33

Source: TWSE website

As indicated above, the performance of the TWSE has in recent years been characterized by extreme price volatility.

The TPEx

To complement the TWSE, the TPEx was established in September 1982 on the initiative of the ROC Securities and Exchange Commission to encourage the trading of securities of companies who do not qualify for listing on the TWSE. As of 30 June 2017, the market capitalization of companies listed on the TPEx was approximately NT$3.0 trillion.

The TPEx has established specific requirements for trading securities on the TPEx based on company history, number and distribution of a company's shareholders, amount of capital and profitability.

PRICE LIMITS, COMMISSIONS, SECURITIES TRANSACTION TAX AND OTHER MATTERS

The TWSE has placed limits on block trading and on the range of daily price movements in order to reduce market volatility. Transactions that involve 500 or more trading lots, namely 500,000 shares, of one class of securities, or trading amount exceeding NT$15 million for one class of securities or securities of five or more different classes must be registered and executed under TWSE block trade guidelines. Except for initial publically offered shares within certain period of time as provided in accordance with the TWSE rules, fluctuations in the price of shares traded on the TWSE are currently subject to a restriction of 10% above and below the previous day's closing price (or reference price set by the TWSE if the previous day's closing price is not available in the absence of trading activity). However, the ROC FSC has modified these restrictions from time to time based on market conditions.

Securities brokers may set the brokerage commission at any rate subject to reporting to the TWSE and, if the rate is higher than 0.1425% of the transaction price, shall notify their customers of the rate in advance. Moreover, securities transaction tax does not apply to transactions of corporate bonds issued by ROC companies which are convertible and offered outside of the ROC.

A securities transaction tax of 0.3% of the transaction price is payable by the seller of equity securities. Notwithstanding, effective 28 April 2017, in terms of day-trading, the securities transaction tax withheld upon sale of the shares of the same type and the same amount as the shares purchased on such business day will only be at the rate of 0.15%. This special tax treatment will be valid for one year. This securities transaction tax is withheld at the time of the transaction. No securities transaction tax will be imposed on the transfer of corporate bonds until 31 December 2026.

Sales of shares of listed companies on the TWSE are generally sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting these sales.

Starting from 15 January 2016, upon the occurrence of any matter which may have a material impact on the shareholders' equity or the price of securities of a TWSE-listed company (e.g., merger), such company should apply to the TWSE, or the TWSE may request, for suspension of trading of its shares for one to three trading days (or a longer period if necessary).

REGULATION AND SUPERVISION

The ROC FSC has extensive regulatory authority over companies listed on the TWSE, companies listed on the TPEx and unlisted public issuing companies generally. Such companies are generally required to obtain approval from, or register with, the ROC FSC for all securities offerings. The ROC FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the ROC FSC is responsible for the establishment of standards for financial reporting and carries out licensing and supervision with respect to the other participants in the ROC securities market.

The ROC FSC is responsible for the implementation of the *Securities and Exchange Act* and for the overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, the *Securities* *and Exchange Act* specifically empowers the ROC FSC to promulgate rules under certain circumstances.

The *Securities and Exchange Act* prohibits market manipulation. It permits an issuer to recover certain short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, as well as shareholders (together with their spouses, minor children and nominees) holding more than 10% of the issued shares of the issuer. The *Securities and Exchange Act* prohibits trading of equity or debt securities by "insiders" based on non-public information that materially affects the price movements of equity securities or the issuer's ability to repay the principal amount or interest of the debt securities prior to publication of such information and within 18 hours after publication of such information.

Pursuant to the *Securities and Exchange Act*, the term "insider" includes:

- directors, supervisors, managerial personnel, as well as the spouses, minor children and nominees of these parties, as well as shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the outstanding shares of the issuer and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material and non-public information due to occupational or controlling relationship with the issuer;

- any person who has discharged from the status or position in the first and second bullet points for less than six months; and

- any person who has learned material and non-public information from any of the above.

Sanctions include prison terms. In addition, damages may be awarded to persons injured by the transactions. Notwithstanding these regulatory requirements, there have been recurring press reports on insider trading and manipulation of stock prices in the ROC.

The *Securities and Exchange Act* imposes criminal liabilities on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other evidentiary documents relating to securities transactions. The ROC FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

The *Securities and Exchange Act* provides for civil liabilities for material misstatement or omission made by issuers. The *Securities and Exchange Act* also provides for regulation of tender offers. The ROC FSC does not have criminal or civil enforcement powers under the *Securities and Exchange Act*. Criminal actions may be pursued only by the district prosecutors located in the district where the defendant is domiciled or where the violation occurred. Under the applicable ROC law, civil actions may only be brought by plaintiffs who have personally suffered damages. The ROC FSC is directly empowered to curb abuses and violations of applicable laws and regulations only through administrative measures such as the issuance of warnings, temporary suspension of operation, imposition of administrative fines and revocation of licenses.

In addition to providing a market for securities trading, the TWSE is responsible for reviewing applications by ROC issuers to list securities on the TWSE. In addition, the ROC FSC reviews all securities offerings by listed companies. If issuers of listed companies violate relevant laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the ROC FSC, delist the securities of these issuers.

APPENDIX B – FOREIGN INVESTMENT AND EXCHANGE CONTROL IN THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Sole Global Coordinator, the Sole Lead Manager, the Sole Bookrunner, or any of the respective affiliates or advisers in connection with this offering.

GENERAL

Historically, foreign investments in the ROC securities market were restricted. However, beginning in 1983, the ROC government has from time to time enacted legislation and adopted regulations to make foreign investment in the ROC securities market possible.

The *Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals* (the "**Foreign Regulations**"), which was approved by the Executive Yuan on 26 May 1983 and has been amended from time to time, and the *Regulations Governing Mainland China Investors' Securities Investments and Futures Trading in Taiwan* (the "**PRC Regulations**"), which was announced by the ROC FSC on 30 April 2009, are two of the major regulations governing foreign investments in securities and futures trading in the ROC.

Under the *Foreign Regulations*, foreign investors (other than PRC investors) are classified as either "onshore foreign investors" or "offshore foreign investors" according to their respective geographical location. Unless otherwise specified in the relevant laws and regulations, both onshore and offshore foreign investors are allowed to invest in the ROC securities market after they register with the TWSE. The *Foreign Regulations* further classify foreign investors into foreign institutional investors and foreign individual investors. "Foreign institutional investors" refer to those investors incorporated and registered in accordance with foreign laws outside of the ROC (i.e., offshore foreign institutional investors) or those with branches set up and recognized within the ROC (i.e., onshore foreign institutional investors). Foreign investors can hold such investments without any foreign ownership percentage limitations, unless the law has imposed restrictions otherwise.

In the past, PRC Persons were prohibited from investing, whether directly or indirectly, in the ROC securities market. On 30 April 2009, the ROC FSC promulgated the *PRC Regulations* allowing PRC institutional investors that meet the qualifications imposed by PRC securities regulators for Qualified Domestic Institutional Investors ("**QDIIs**") and certain other PRC Persons to invest in ROC securities market.

Relevant ROC laws and regulations allow PRC individual and institutional investors to make investment in the ROC securities market, if they are qualified for any of the following categories: (a) QDIIs; (b) PRC residents who are employees of a TWSE-listed or TPEx-listed company and thereupon granted securities; (c) companies incorporated under the laws of the PRC and PRC residents who are the shareholders of a foreign company whose shares or depositary receipts are listed and traded on the TWSE or TPEx; or (d) other categories as permitted by the competent authority. Subject to the requirements and restrictions set forth below and other requirements in relevant PRC regulations, a PRC investor may invest in, among others, TWSE-listed or TPEx-listed securities, beneficiary certificates issued by securities investment trusts, government bonds, bank debentures, corporate bonds issued by public companies, beneficiary securities or asset-backed securities issued by the special purpose trust or special purpose vehicle, warrants and other securities as permitted by the ROC FSC:

- PRC investors are required to appoint an agent or nominee in the ROC to open a securities trading account.

- PRC investors are required to appoint a custodian permitted by the competent authority to handle the custody of funds and certificates relating to securities.

- In exercising the voting rights of the shares of a TWSE-listed or TPEx-listed company, unless otherwise permitted by laws and regulations, PRC investors may not substantially control or effect the operation and management of the company.

- The amount of investment remittance for each QDII is capped at US$100 million, and the total amount remitted into the ROC by all QDIIs shall not exceed US$500 million.

- PRC investors may not exceed the PRC ownership limit imposed by the competent authority in the ROC.

The total investment amount allowed to be remitted into the ROC by QDIIs cannot exceed US$500 million. The custodians of each QDII must apply with the TWSE for the remittance amount of the QDII, which cannot exceed US$100 million for each QDII. In addition, QDIIs are currently prohibited from investing in certain industries, and their investment in a company is restricted to a certain percentage pursuant to a list promulgated by the ROC FSC and relevant authorities and amended from time to time.

FOREIGN INVESTMENT APPROVAL

In addition to investments permitted under the *Foreign Regulations* and the *PRC Regulations*, foreign investors (other than PRC investors) who wish to make: (a) direct investments in the shares of ROC private companies; or (b) investment in 10% or more of the equity interest of ROC companies listed on the TWSE or the TPEx in any single transaction, as well as PRC investors who wish to make: (a) direct investments in the shares of ROC private companies; or (b) investments, individually or aggregately, in 10% or more of the equity interest of ROC companies listed on the TWSE or the TPEx in certain industries on the positive list, as promulgated by the Executive Yuan, are required to submit an investment approval application to the Investment Commission of the MOEA or other relevant government authorities. The Investment Commission of the MOEA or such other government authorities review investment approval application and approve or disapprove each application after consultation with other governmental agencies (such as the CBC and the ROC FSC). PRC investors other than QDIIs are prohibited from making investments in ROC companies listed on the TWSE or the TPEx if the investment is less than 10% of the equity interest of such ROC companies.

Under the current laws and regulations, any non-ROC person possessing an investment approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment may be repatriated upon submitting certain required documents to the remitting bank, and investment capital and capital gains attributable to such investment may be repatriated after the approval of the Investment Commission or other authorities have been obtained.

In addition to the general restriction against direct investment by foreign investors in ROC securities market, foreign investors are currently prohibited from investing in certain industries in the ROC pursuant to a negative list, as amended by the Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the negative list is absolute in the absence of specific exemption from the negative list. Pursuant to the negative list, certain industries are restricted, and foreign investors may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority responsible for enforcing the relevant legislation that the negative list is intended to implement.

On the other hand, in addition to the general restriction against direct investment by PRC investors in the ROC securities market, PRC investors may only invest in certain industries in the positive list, as promulgated by the Executive Yuan. In addition, PRC investors who wish to be elected as a ROC company's director or supervisor shall also submit an investment approval application to the Investment Commission of the MOEA or other government authorities for approval.

DEPOSITARY RECEIPTS

In April 1992, the ROC SFB began allowing ROC companies listed on the TWSE to sponsor the issuance and sale of depositary receipts evidencing shares of their capital stock. In December 1994, the ROC Ministry of Finance began allowing companies whose shares are traded on the TPEx to sponsor the issuance and sale of depositary receipts evidencing depositary shares representing shares of its capital stock. Approvals for these issuances are still required. On 24 October 2002, the ROC SFB began allowing public companies that are not listed on the TWSE or the TPEx to sponsor the issuance and sale of depositary receipts by way of private placement outside of the ROC.

Immediately after the issuance of a depositary receipt (if the deposited shares are existing shares) or after the shares are issued and delivered (if the deposited shares are new shares), a depositary receipt holder may request the depositary to cause the underlying shares to be sold in the ROC and to distribute the proceeds of the sale to or to withdraw the shares and deliver the shares to the depositary receipt holder. A PRC depositary receipt holder may not withdraw shares unless it is a QDII. However, QDIIs are currently prohibited from investing in certain industries, and their investment in certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the ROC FSC and relevant authorities and amended from time to time. In addition, there are restrictions on the remittance amount to or from the ROC by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC Person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the ROC FSC might cause a depositary receipt holder who is a PRC Person to be unable to withdraw and hold the underlying shares.

Under existing laws and regulations relating to foreign exchange control, a depositary or a depositary receipt holder may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT Dollars into other currencies, including US Dollars, in respect of the following: (1) proceeds of the sale of shares represented by depositary receipts; (2) proceeds of the sale of shares received as stock dividends and deposited into the depositary receipt facility; and (3) any cash dividends or cash distributions received. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT Dollars for purchases of underlying shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. A depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT Dollars into foreign currencies relating to the sale of subscription rights for new shares if the proceeds are in excess of US$100,000 per remittance. Proceeds from the sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the TWSE or the TPEx securities, subject to relevant regulations.

Under ROC laws and regulations, a non-ROC depositary receipt holder, when withdrawing the shares underlying the depositary receipts, will be required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT Dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such depositary receipt holder on behalf of and as an agent for such depositary receipt holder. Any such depositary receipt holder is required to appoint a local custodian to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such depositary receipt holder is required to appoint a tax guarantor for filing tax returns and making tax payment. Without meeting the foregoing requirements, the withdrawing depositary receipt holder would be unable to hold and subsequently sell or otherwise transfer the underlying shares withdrawn from the depositary receipt facility on the TWSE or otherwise.

OVERSEAS CORPORATE BONDS

Since 1989, the ROC FSC has approved a series of overseas bonds issued by ROC companies listed on the TWSE in offerings outside of the ROC. The relevant regulations also permit public issuing companies to issue corporate debt in offerings outside of the ROC. Under ROC laws and regulations, such overseas corporate bonds: (a) can be converted by bondholders into shares of ROC companies; or (b) subject to ROC FSC approval, may be converted into depositary receipts issued by the same ROC company or by the issuing company of the exchanged shares, in the case of exchangeable bonds. A PRC convertible or exchangeable bondholder may not convert or exchange bonds into shares unless it is a QDII. However, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the ROC FSC and amended from time to time. In addition, there are restrictions on the amount remitted to the ROC for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC Person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the ROC FSC might accordingly cause an overseas corporate bondholder who is a PRC Person to be unable to convert or exchange the bonds and hold the shares.

Proceeds from the sale of the shares converted or exchanged from overseas convertible or exchangeable bonds may be used for reinvestment in securities listed on the TWSE or traded on the TPEx, subject to relevant regulations.

Under ROC laws and regulations, a non-ROC converting or exchanging bondholder, when exercising his or her conversion or exchange right to convert or exchange bonds into common shares, is required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT Dollar bank account and to pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such converting or exchanging bondholder on behalf of and as an agent for such converting or exchanging bondholder. Further, any such converting or exchanging bondholder is required to appoint a local custodian to hold the securities and any cash proceeds in safekeeping, make confirmations, settle trades and report all relevant information. In addition, such converting or exchanging bondholder is required to appoint a tax guarantor for filing tax returns and making tax payment. Without meeting these requirements, the converting or exchanging bondholder would not be able to receive, hold, or subsequently sell or otherwise transfer the shares into which the overseas bonds may have been converted or exchanged on the TWSE or otherwise.

Unless otherwise limited by the CBC, a ROC company may, without obtaining further approvals from the CBC or any other ROC government authorities, convert NT Dollars into other currencies, including US Dollars, for making payments in respect of redemption of the bonds or repayment of principal of and interest on the bonds. A non-ROC converting or exchanging bondholder may, through a local agent and without obtaining prior approval from the CBC, convert into foreign currencies net proceeds realized from the sale of converted or exchanged common shares or any stock dividends relating to such shares, or any cash dividend or other cash distribution in respect of such common shares and, after becoming a shareholder, convert into NT Dollars inward remittances of subscription payments in connection with a rights offering. However, a converting or exchanging bondholder must obtain prior approval from the CBC on a payment-by-payment basis for conversion from NT Dollars into other currencies in respect of the proceeds from the sale of subscription rights for newly issued shares if the proceeds are in excess of US$100,000 per remittance.

EXCHANGE CONTROLS

The *Taiwan Foreign Exchange Control Statute* and related regulations provide that all foreign exchange transactions must be executed by banks designated by the ROC FSC and the CBC to handle foreign exchange transactions. Current regulations favor trade-related or service-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise may now be retained and used freely by exporters. All foreign currency needed for the importation of merchandise may be purchased freely from the designated foreign exchange banks.

Aside from trade-related or service-related foreign exchange transactions, ROC companies and individual residents of the ROC may, without foreign exchange approval, remit to and from the ROC foreign currencies of up to US$50 million (or its equivalent in foreign currencies) and US$5 million (or its equivalent in foreign currencies) in each calendar year, respectively. These limits apply to remittances involving a conversion between NT Dollars and US Dollars or other foreign currencies. In addition, all private enterprises are required to register all medium- and long-term foreign debts with the CBC. In addition, a foreign person may, subject to certain requirements but without foreign exchange approval, remit to and from the ROC foreign currencies of up to US$100,000 (or its equivalent in foreign currencies) per remittance if the required documentation is provided to the relevant ROC authorities. This limit applies to remittances involving a conversion between NT Dollars and US Dollars or other foreign currencies.

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