E Ink Holdings Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

E INK HOLDINGS INC.

By

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JOHNSON, LEE
Chairman

March 18, 2020

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
E Ink Holdings Inc.

Opinion

We have audited the accompanying consolidated financial statements of E Ink Holdings Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, 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 Group 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. This matter was 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 this matter.

The key audit matter for the Group's consolidated financial statements for the year ended December 31, 2019 is stated as follows:

<u>Sales Revenue - Recognition of Sales Revenue of Electronic Shelf Labels Products</u>

The Group mainly sells products, such as monitors and electronic shelf labels, which were affected by the changes in the end-market demand this year. The Group adjusted its product assortment to increase the overall gross profit margin and consequently increased the risk of the occurrence of sales revenue transactions from electronic shelf label products, which carried high gross profit margin. Therefore, the recognition of sales revenue of electronic shelf label products was identified as a key audit matter.

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

1. We understood and tested the design and operating effectiveness of relevant internal controls over the occurrence of sales revenue of electronic shelf label products.

2. We sampled the sales details of electronic shelf label products, inspected receipts signed by the customers or export declaration of overseas sales, and confirmed the receipt of payments.

3. We inspected subsequent significant sales returns and allowances.

Other Matter

We have also audited the financial statements of E Ink Holdings Inc. as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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, IFRS, IAS, IFRIC, and 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the audit committee, are responsible for overseeing the Group'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 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 Group'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 Group'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 Group 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 the entities or business activities within the Group 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 a matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019, and is therefore the key audit matter. We describe this matter 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 Hui-Min Huang and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 2020

Notice to Readers

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

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 7,047,106	17	$ 7,695,106	21
Financial assets at fair value through profit or loss (Notes 4 and 7)	2,455,299	6	1,840,835	5
Financial assets at amortized cost (Notes 4, 9 and 30)	7,526,246	18	4,379,385	11
Contract assets (Notes 4 and 21)	60,088	-	187,329	1
Accounts receivable (Notes 4, 10, 21 and 29)	2,059,829	5	2,243,412	6
Other receivables (Note 4)	216,253	1	223,850	1
Current tax assets (Notes 4 and 23)	22,011	-	44,850	-
Inventories (Notes 4 and 11)	1,941,702	5	1,926,990	5
Prepayments (Note 29)	192,732	-	318,982	1
Non-current assets held for sale (Notes 4 and 12)	109,745	-	10,166	-
Other current assets	3,049	-	20	-
Total current assets	21,634,060	52	18,870,925	51
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	4,474,517	11	3,431,736	9
Investments accounted for using the equity method (Note 4)	147,694	-	82,802	-
Property, plant and equipment (Notes 4, 14, 22 and 26)	4,104,317	10	4,521,441	12
Right-of-use assets (Notes 4, 15 and 22)	1,766,034	4	-	-
Goodwill (Notes 4 and 16)	6,720,745	16	6,781,244	19
Other intangible assets (Notes 4, 16, 22 and 29)	1,387,096	3	1,744,809	5
Deferred tax assets (Notes 4 and 23)	987,282	3	1,071,888	3
Other non-current assets (Notes 4, 7, 29 and 30)	399,204	1	409,263	1
Total non-current assets	19,986,889	48	18,043,183	49
TOTAL	$ 41,620,949	100	$ 36,914,108	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 30)	$ 4,557,832	11	$ 1,480,000	4
Short-term bills payable (Note 17)	579,887	1	564,722	2
Contract liabilities (Notes 4 and 21)	1,298,608	3	1,573,002	4
Notes and accounts payable (Note 29)	1,156,039	3	1,347,676	4
Other payables (Notes 18 and 26)	1,263,755	3	1,351,759	4
Current tax liabilities (Notes 4 and 23)	146,121	-	128,343	-
Other current liabilities (Notes 4, 7, 12, 15 and 29)	204,433	1	123,615	-
Total current liabilities	9,206,675	22	6,569,117	18
NON-CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 21)	1,024,259	3	1,761,719	5
Deferred tax liabilities (Notes 4 and 23)	120,854	-	110,299	-
Lease liabilities (Notes 4, 15 and 29)	1,721,654	4	-	-
Net defined benefit liabilities (Notes 4 and 19)	87,600	-	80,770	-
Other non-current liabilities (Notes 17 and 29)	7,123	-	77,759	-
Total non-current liabilities	2,961,490	7	2,030,547	5
Total liabilities	12,168,165	29	8,599,664	23
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 20 and 25)				
Share capital	11,404,677	27	11,404,677	31
Capital surplus	10,306,993	25	10,243,293	28
Retained earnings				
Legal reserve	1,773,654	4	1,512,287	4
Special reserve	255,475	1	70,678	-
Unappropriated earnings	5,399,253	13	5,138,085	14
Total retained earnings	7,428,382	18	6,721,050	18
Other equity	(29,881)	-	(255,475)	(1)
Treasury shares	(110,032)	-	(184,900)	-
Total equity attributable to owners of the Company	29,000,139	70	27,928,645	76
NON-CONTROLLING INTERESTS (Note 20)	452,645	1	385,799	1
Total equity	29,452,784	71	28,314,444	77
TOTAL	$ 41,620,949	100	$ 36,914,108	100

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 21 and 29)	$ 13,601,676	100	$ 14,208,661	100
OPERATING COSTS (Notes 11, 22 and 29)	7,563,090	56	8,278,485	58
GROSS PROFIT	6,038,586	44	5,930,176	42
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	755,050	6	796,893	6
General and administrative expenses	2,349,323	17	2,604,270	18
Research and development expenses	2,374,402	17	2,071,848	15
Total operating expenses	5,478,775	40	5,473,011	39
INCOME FROM OPERATIONS	559,811	4	457,165	3
NON-OPERATING INCOME AND EXPENSES				
Interest income	337,373	2	176,439	1
Royalty income (Notes 4 and 21)	2,240,251	16	2,360,815	17
Dividend income (Note 4)	184,437	1	136,225	1
Gains on sale of land use rights (Note 12)	153,500	1	-	-
Net gain on foreign currency exchange (Note 32)	223,994	2	310,568	2
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	83,444	1	6,413	-
Other income (Note 29)	122,738	1	120,649	1
Interest expenses (Notes 14 and 29)	(86,085)	(1)	(28,579)	-
Impairment loss (Notes 4 and 14)	(63,654)	-	(223,627)	(2)
Other expenses	(34,342)	-	(56,800)	-
Total non-operating income and expenses	3,161,656	23	2,802,103	20
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,721,467	27	3,259,268	23
INCOME TAX EXPENSE (Notes 4 and 23)	(547,870)	(4)	(567,192)	(4)
NET INCOME FOR THE YEAR	3,173,597	23	2,692,076	19

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019 Amount	2019 %	2018 Amount	2018 %
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 19)	$ (13,576)	-	$ (10,235)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	989,618	7	(432,897)	(3)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	2,938	-	4,226	-
	978,980	7	(438,906)	(3)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(773,206)	(5)	59,248	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	(6,161)	-	(900)	-
	(779,367)	(5)	58,348	-
Other comprehensive income (loss) for the year, net of income tax	199,613	2	(380,558)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,373,210	25	$ 2,311,518	16
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 3,083,789	23	$ 2,613,673	18
Non-controlling interests	89,808	-	78,403	1
	$ 3,173,597	23	$ 2,692,076	19
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 3,306,364	24	$ 2,236,019	16
Non-controlling interests	66,846	1	75,499	-
	$ 3,373,210	25	$ 2,311,518	16

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 24)				
Basic	$ 2.72		$ 2.32	
Diluted	$ 2.71		$ 2.31	

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
	Share Capital			Retained Earnings			Other Equity						
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	1,140,468	$ 11,404,677	$ 10,108,119	$ 1,304,481	$ 70,678	$ 4,246,203	$ (242,623)	$ 349,232	$ -	$ (308,269)	$ 26,932,498	$ 294,397	$ 27,226,895
Effect of retrospective application	-	-	-	-	-	327,468	-	(349,232)	376,899	-	355,135	15,903	371,038
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,140,468	11,404,677	10,108,119	1,304,481	70,678	4,573,671	(242,623)	-	376,899	(308,269)	27,287,633	310,300	27,597,933
Appropriation of 2017 earnings													
Legal reserve	-	-	-	207,806	-	(207,806)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,853,550)	-	-	-	-	(1,853,550)	-	(1,853,550)
Unclaimed dividends extinguished by prescription	-	-	14	-	-	-	-	-	-	-	14	-	14
Net income for the year ended December 31, 2018	-	-	-	-	-	2,613,673	-	-	-	-	2,613,673	78,403	2,692,076
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(6,052)	61,295	-	(432,897)	-	(377,654)	(2,904)	(380,558)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	2,607,621	61,295	-	(432,897)	-	2,236,019	75,499	2,311,518
Share-based payments	-	-	135,552	-	-	-	-	-	-	-	135,552	-	135,552
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,149	-	-	(18,149)	-	-	-	-
Treasury shares transferred to employees	-	-	(392)	-	-	-	-	-	-	123,369	122,977	-	122,977
BALANCE AT DECEMBER 31, 2018	1,140,468	11,404,677	10,243,293	1,512,287	70,678	5,138,085	(181,328)	-	(74,147)	(184,900)	27,928,645	385,799	28,314,444
Appropriation of 2018 earnings													
Legal reserve	-	-	-	261,367	-	(261,367)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	184,797	(184,797)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,373,438)	-	-	-	-	(2,373,438)	-	(2,373,438)
Unclaimed dividends extinguished by prescription	-	-	26	-	-	-	-	-	-	-	26	-	26
Net income for the year ended December 31, 2019	-	-	-	-	-	3,083,789	-	-	-	-	3,083,789	89,808	3,173,597
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(10,697)	(756,459)	-	989,731	-	222,575	(22,962)	199,613
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	3,073,092	(756,459)	-	989,731	-	3,306,364	66,846	3,373,210
Share-based payments	-	-	63,912	-	-	-	-	-	-	-	63,912	-	63,912
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	7,678	-	-	(7,678)	-	-	-	-
Treasury shares transferred to employees	-	-	(238)	-	-	-	-	-	-	74,868	74,630	-	74,630
BALANCE AT DECEMBER 31, 2019	1,140,468	$ 11,404,677	$ 10,306,993	$ 1,773,654	$ 255,475	$ 5,399,253	$ (937,787)	$ -	$ 907,906	$ (110,032)	$ 29,000,139	$ 452,645	$ 29,452,784

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	$ 3,721,467	$ 3,259,268
Adjustments for		
Depreciation expenses	784,768	683,786
Amortization expenses	463,395	420,594
Expected credit loss recognized (reversed) on accounts receivable	(6,401)	21,200
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(83,444)	(6,413)
Interest expenses	86,085	28,579
Interest income	(337,373)	(176,439)
Dividend income	(184,437)	(136,225)
Compensation costs of share-based payments	63,912	135,552
Share of loss of associates and joint ventures accounted for using the equity method	8,460	5,054
Net gain on disposal of property, plant and equipment	(2,746)	(796)
Gain on sale of land use rights	(153,500)	-
Net loss on disposal of investments	2,934	1,888
Impairment loss	63,654	223,627
Write-downs of inventories	134,739	204,382
Net unrealized loss (gain) on foreign currency exchange	(29,250)	4,458
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(24,934)	-
Contract assets	120,460	134,610
Accounts receivable	193,773	(224,772)
Other receivables	43,629	31,774
Inventories	(206,533)	80,370
Prepayments	124,885	(183,310)
Other current assets	(3,029)	27
Contract liabilities	(966,420)	105,027
Notes and accounts payable	(177,956)	(879,066)
Other payables	(75,658)	(359,033)
Other current liabilities	17,860	(550,246)
Net defined benefit liabilities	(5,983)	376
Cash generated from operations	3,572,357	2,824,272
Income tax received (paid)	(427,739)	29,534
Net cash generated from operating activities	3,144,618	2,853,806
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(64,692)	(968,590)
Proceeds from disposal of financial assets at fair value through other comprehensive income	9,928	184,552

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E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	$ -	$ 6,431
Acquisition of financial assets at amortized cost	(14,670,275)	(4,834,433)
Proceeds from disposal of financial assets at amortized cost	11,321,850	1,287,349
Acquisition of financial assets at fair value through profit or loss	(1,511,179)	(1,818,502)
Proceeds from sale of financial assets at fair value through profit or loss	823,402	-
Acquisition of associates	(79,513)	-
Disposal of subsidiaries	-	(713)
Acquisition of property, plant and equipment	(550,492)	(575,061)
Proceeds from disposal of property, plant and equipment	6,869	32,128
Acquisition of other intangible assets	(123,803)	(249,190)
Proceeds from disposal of land use rights	153,869	-
Decrease (increase) in other non-current assets	58,147	(154,318)
Interest received	300,623	172,454
Dividends received	184,437	136,225
Net cash used in investing activities	(4,140,829)	(6,781,668)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	3,091,036	1,101,625
Increase in short-term bills payable	15,165	564,722
Repayments of long-term borrowings	(43,169)	(118,148)
Repayment of the principal portion of lease liabilities	(75,899)	-
Increase (decrease) in other non-current liabilities	(788)	6,783
Cash dividends	(2,373,438)	(1,853,550)
Proceeds from treasury shares transferred to employees	74,630	122,977
Interest paid	(79,203)	(27,922)
Proceeds from unclaimed dividends extinguished by prescription	26	14
Net cash generated from (used in) financing activities	608,360	(203,499)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(260,149)	(52,182)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(648,000)	(4,183,543)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7,695,106	11,878,649
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 7,047,106	$ 7,695,106

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

1. GENERAL INFORMATION

E Ink Holdings Inc. (the "Company") was incorporated in June 1992 in the Hsinchu Science Park. The Company's shares have been listed on the Taipei Exchange (TPEx) Mainboard since March 30, 2004. The Company mainly researches, develops, manufactures and sells electronic paper display panels.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the "Group", are presented in New Taiwan dollars, the functional currency of the Company.

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The Group's consolidated financial statements were approved by the Company's board of directors on March 18, 2020.

3. APPLICATION OF NEW AND REVISED STANDARDS 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 SIC Interpretations (SIC) (collectively referred to as 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 would not have any material impact on the Group's accounting policies:

   IFRS 16 "Leases"

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Please refer to Note 4 for information relating to the relevant accounting policies.

   Definition of a lease

   The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal and interest portion of lease liabilities are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases with the application of IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.28%. The difference between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease on December 31, 2018	$ 1,033,653
Less: Recognition exemption for short-term leases	(7,774)
Undiscounted amounts on January 1, 2019	$ 1,025,879
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 915,733
Add: Adjustments as a result of extension options	976,612
Lease liabilities recognized on January 1, 2019	$ 1,892,345

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 1,865,084	$ 1,865,084
Other non-current assets	409,263	(864)	408,399
Total effect on assets	$ 409,263	$ 1,864,220	$ 2,273,483
Other current liabilities	$ 123,615	$ (3,019)	$ 120,596
Lease liabilities - current	-	103,943	103,943
Other non-current liabilities	77,759	(25,106)	52,653
Lease liabilities - non-current	-	1,788,402	1,788,402
Total effect on liabilities	$ 201,374	$ 1,864,220	$ 2,065,594

b. The IFRSs endorsed by the FSC for application starting from 2020

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were issued, the Group is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Group’s consolidated financial position and consolidated financial performance and will disclose the relevant impact when the assessment is completed.

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Amended or Revised Standards and Interpretations	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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

As of the date the consolidated financial statements were issued, the Group is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Group's consolidated financial position and consolidated 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 the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, 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 an 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 an asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the year 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 the Company. 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 the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group'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 the Company.

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

See Note 13 and Tables 8 and 9 for detailed information on subsidiaries (including the percentages of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized as expenses 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 interest 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 either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries, associates and joint ventures in other countries that use currencies that are different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income and attributed to the owners of the Company and non-controlling interests.

On a disposal of the Company's entire interest in a foreign operation or a disposal involving loss of significant influence over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

g. Inventories

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

h. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates and joint ventures. The Group also recognizes the changes in the Group's share of equity of associates and joint ventures attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

When the Group subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in equity of associates and joint ventures accounted for using the equity method and investments accounted for using the equity method. If the Group's ownership interest is reduced due to the additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to the goodwill and other assets that form part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group transacts with its associates and joint ventures, profits and losses resulting from the transactions with the associates and joint ventures are recognized in the Group's consolidated financial statements only to the extent of interests in the associates and the joint ventures that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods 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.

j. Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group'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 year, that unit shall be tested for impairment before the end of the current annual year. 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 years.

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.

k. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

4) 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.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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 corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (net of amortization or depreciation) 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.

m. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell. Recognition of depreciation of those assets would cease.

n. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 an acquisition or issuance 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 or issuance 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 trade date basis.

   a) Measurement category

      Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost and investments in equity instruments at FVTOCI.

      i. Financial assets at FVTPL

         Financial assets at FVTPL include mutual funds and investments in equity instruments which are not designated as at FVTOCI and are mandatorily measured at fair value subsequently, with any dividends, interest and gains or losses on remeasurement recognized in non-operating income and expenses. Fair value is determined in the manner described in Note 28.

      ii. Financial assets at amortized cost

         Financial assets that meet the following conditions are subsequently measured at amortized cost:

         i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

         ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

         Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable and other receivables are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

         Cash equivalents include time deposits and repurchase agreements collateralized by notes, with original maturities within 3 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 changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

      iii. Investments in equity instruments at FVTOCI

         On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income or loss and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and contract assets.

The Group always recognizes lifetime Expected Credit Loss (ECLs) for accounts receivable and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group 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 at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income or loss is transferred directly to retained earnings, without reclassifying to profit or loss.

2) Equity instruments

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at FVTPL, all financial liabilities are carried at amortized cost using the effective interest method. Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading and are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

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.

4) Derivative financial instruments

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

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. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

o. Provisions

Provisions (included in other current liabilities) 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.

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Group of the expenditures required to settle the Group's obligations.

p. Revenue recognition

The Group identifies the contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Revenue from sale of goods

Sales of products are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods. Revenue and accounts receivable are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Licensing revenue

If the patented technology licensed by the Group can remain functional without any updates or technical support and the Group is not obliged to undertake activities that will change the functionality of the licensed patented technology, the licensed patented technology has significant stand-alone functionality and the Group recognizes revenue at the point in time at which the license of patented technology transfers. If the Group is obliged to undertake activities that will change the functionality of the licensed patented technology, the licensed patented technology does not have significant stand-alone functionality and the Group recognizes revenue on a straight-line basis over the life of the agreements. Royalty agreements that are based on sales are recognized by reference to the underlying agreements. Royalties receivable that the Group does not have a present right to payment of the royalties is recorded as contract assets and reclassified to accounts receivable after the Group fulfills the remainder of the performance obligation. Proceeds of royalties received but which have not met the conditions of revenue recognition are recorded as contract liabilities, current and non-current, respectively, based on the remaining contract periods.

q. Leases

<u>2019</u>

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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Leases are classified as finance leases whenever the terms of a 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. Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

r. Borrowing costs

Borrowing costs directly attributable to an 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.

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

s. 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 services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the year they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the year in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group’s defined benefit plans.

t. Share-based payment arrangements

The fair value at the grant date of share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of treasury shares transferred to employees is the date on which the board of directors approves the transaction.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

u. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income.

1) Current tax

According to the Income Tax Law, an additional tax 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 and unused loss carryforwards to the extent that it is probable that taxable profit 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, except where the Group 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 are only recognized to the extent that it is probable that there will be sufficient taxable profit 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 profit will be available to allow all or part of the assets 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 year in which the liabilities are settled or the assets are 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimations and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimations are recognized in the year in which the estimations are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 579	$ 148,402
Checking accounts and demand deposits	1,570,259	2,003,246
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	5,086,317	4,984,443
Repurchase agreements collateralized by notes	389,951	559,015
	$ 7,047,106	$ 7,695,106

The market rate intervals of demand deposits, time deposits and repurchase agreements collateralized by notes at the end of the reporting years were as follows:

	December 31	
	2019	**2018**
Demand deposits	0.01-1.15%	0.01-1.15%
Time deposits	0.45-2.9%	0.35-4%
Repurchase agreements collateralized by notes	2.2%	0.55-2.8%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets - current		
Non-derivative financial assets		
Mandatorily measured at FVTPL - mutual funds	$ 2,455,299	$ 1,840,835
Financial assets - non-current (included in other non-current assets)		
Hybrid financial assets		
Mandatorily measured at FVTPL - overseas unlisted shares	$ 60,285	$ -
Derivative financial liabilities (included in other current liabilities)		
Held for trading - foreign exchange forward contracts	$ -	$ 4,678

At the end of the reporting year, the outstanding foreign exchange forward contract not under hedge accounting was as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2018			
Buy	USD/KRW	2019.03	USD46,745/KRW52,434,480

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contrasts did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments - non-current		
Domestic listed shares and emerging market shares	$ 3,577,384	$ 2,923,732
Overseas listed shares	845,286	462,545
Domestic unlisted shares	34,014	35,351
Overseas unlisted shares	17,833	10,108
	$ 4,474,517	$ 3,431,736

The Group holds the above investments in equity instruments for long-term strategic purposes and expects to gain profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Current		
Time deposits with original maturities of more than 3 months (a)	$ 5,117,128	$ 3,430,920
Pledged time deposits (b)	1,616,260	518,848
Principal guaranteed wealth investment products (c)	792,858	429,617
	$ 7,526,246	$ 4,379,385

a. The market rate intervals for time deposits with original maturities of more than 3 months were 0.82%-4.57% and 0.84%-3.55% per annum, as of December 31, 2019 and 2018, respectively.

b. Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

c. Principal guaranteed wealth investment products bought from banks by the Group may not be redeemed in advance during the term of the contracts. The expected rate of return intervals were 3.55%-4% and 3.9%-4% per annum, as of December 31, 2019 and 2018, respectively.

10. ACCOUNTS RECEIVABLE

	December 31	
	2019	2018
Accounts receivable from related parties (Note 29)	$ 136,794	$ 159,647
Gross carrying amount of accounts receivable	1,949,539	2,125,653
Less: Loss allowance	(26,504)	(41,888)
	1,923,035	2,083,765
	$ 2,059,829	$ 2,243,412

The Group recognizes impairment loss when there is actual credit loss from individual client. In addition, the Group recognizes impairment loss based on the rate of expected credit loss by reference to past default experience of the debtor, an analysis of the debtor's current financial position, general economic conditions of the industry in which the debtors operate and past due status.

The following table details the loss allowance for accounts receivable.

December 31, 2019

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	70%	-
Gross carrying amount	$ 1,819,723	$ 92,091	$ 37,725	$ 1,949,539
Less: Loss allowance	-	-	(26,504)	(26,504)
Amortized cost	$ 1,819,723	$ 92,091	$ 11,221	$ 1,923,035

December 31, 2018

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	93%	-
Gross carrying amount	$ 1,773,351	$ 307,407	$ 44,895	$ 2,125,653
Less: Loss allowance	-	-	(41,888)	(41,888)
Amortized cost	$ 1,773,351	$ 307,407	$ 3,007	$ 2,083,765

The movements of the loss allowance were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 41,888	$ 28,611
Expected credit losses recognized (reversed)	(6,401)	21,200
Amounts written off	(8,124)	(7,609)
Foreign exchange translation gains and losses	(859)	(314)
Balance at December 31	$ 26,504	$ 41,888

Accounts receivable of the Group were mainly concentrated in Customers A, B, C, D and E. The accounts receivable from the foregoing customers, as of December 31, 2019 and 2018, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
Customer A	$ 427,363	$ 834,153
Customer B	330,287	-
Customer C	244,374	46,836
Customer D	215,435	87,050
Customer E	-	258,416
	$ 1,217,459	$ 1,226,455

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 584,583	$ 415,364
Semi-finished goods	264,023	292,747
Work in progress	67,271	29,009
Raw materials	1,025,825	1,189,870
	$ 1,941,702	$ 1,926,990

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 included write-downs of inventories of $134,739 thousand and $204,382 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	December 31	
	2019	2018
Land use rights, plant and equipment held for sale	$ 109,745	$ 10,166
Liabilities directly associated with equipment held for sale	$ 17,642	$ 18,373

a. In November 2019, the subsidiary, Yangzhou Huaxia Integrated O/E System Co., Ltd. signed an expropriation compensation agreement with Yangzhou Economic and Technological Development Zone’s Demolition Placement Management Office, disposing of the land use rights of 182.77 mus, along with the building and its accessories, at the amount of RMB328,986 thousand. The payment is expected to be received based on the actual delivery of the property ownership certificate and land use certificate, as well as the progress of local government funding. Since the sale price is expected to exceed the carrying amount of the related net assets, the Group did not recognize impairment loss when the land use rights, plant and equipment were reclassified as non-current assets held for sale.

   In addition, the Yangzhou Economic and Technological Development Zone’s Demolition Placement Management Office had completed the expropriation of 19.8 mus of land use rights of the subsidiary, Yangzhou Huaxia Integrated O/E System Co., Ltd., at the amount of RMB35,640 thousand. Therefore, the Group recognized a gain on sale of land use rights of NT$153,500 thousand (RMB35,557 thousand).

b. The subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., expected to dispose of a batch of equipment to a non-related party within the following 12 months. Transcend Optronics (Yangzhou) Co., Ltd. has received partial contract price of RMB4,105 thousand (included in other current liabilities) as of December 31, 2018 and 2019. The sale price is expected to exceed the carrying amount of the related net assets. Hence, the Group did not recognize impairment loss when the aforementioned equipment was reclassified as non-current assets held for sale

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

			Proportion of Ownership (%) December 31		
Investor	Investee	Main Business	2019	2018	Remark
E Ink Holdings Inc.	PVI Global Corp.	Investment	100.00	100.00	
	E Ink Corporation	Manufacture and sale of electronic ink	45.31	45.31	
	YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	Research, development and sale of electronic parts and electronic ink	100.00	100.00	a
	New Field e-Paper Co., Ltd.	Wholesale and sale of electronic parts	100.00	100.00	
	SiPix Technology Inc.	Manufacture and sale of electronic ink	-	100.00	a
	Dream Universe Ltd.	Trading	100.00	100.00	
	Prime View Communications Ltd.	Trading	100.00	100.00	
	Tech Smart Logistics Ltd.	Trading	0.09	0.09	
	Hot Tracks International Ltd.	Trading	100.00	100.00	
	Linfiny Corporation	Research, development and sale of electronic ink	4.00	-	c

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%) December 31 2019	2018	Remark
New Field e-Paper Co., Ltd.	E Ink Corporation	Manufacture and sale of electronic ink	12.88	12.88	
	Tech Smart Logistics Ltd.	Trading	99.91	99.91	
YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	Lucky Joy Holdings Ltd.	Investment	100.00	100.00	
	Linfiny Corporation	Research, development and sale of electronic ink	77.00	77.00	
	YuanHan Materials Inc.	Manufacture and sale of electronic parts	-	100.00	a
SiPix Technology Inc.	Linfiny Corporation	Research, development and sale of electronic ink	-	4.00	c
Linfiny Corporation	Linfiny Japan Inc.	Research and development of electronic ink	100.00	100.00	
E Ink Corporation	E Ink California, LLC	Research, development and sale of electronic ink	100.00	100.00	
	E Ink Japan Inc.	Development of electronics ink products	100.00	100.00	
	E Ink Systems, LLC	Research and development of application software	-	100.00	d
PVI Global Corp.	PVI International Corp.	Trading	100.00	100.00	
	Ruby Lustre Ltd.	Investment	100.00	100.00	
	Dream Pacific International Corp.	Investment	100.00	100.00	
	Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	55.61	55.61	
	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of flat panels	66.66	66.66	
Tech Smart Logistics Ltd.	E Ink Corporation	Manufacture and sale of electronic ink	41.81	41.81	
Dream Universe Ltd.	Transyang Electronics (Yangzhou) Ltd.	Assembly of LCD flat panels	-	100.00	b
PVI International Corp.	Transcend Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	100.00	100.00	
Ruby Lustre Ltd.	Rich Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	100.00	100.00	
Dream Pacific International Corp.	Hydis Technologies Co., Ltd.	Research, development and licensing of monitors	94.73	94.73	
	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	24.19	24.19	
Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	75.81	75.81	
	Transyork Technology Yanzhou Ltd.	Assembly and sale of display panels	44.39	44.39	
	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of flat panels	33.34	33.34	

(Concluded)

a. To simplify the Group's organization management, integrate the utilization of resources and increase operational efficiency, the board of directors of the subsidiary, Yuen Yu Investment Co., Ltd., approved on April 19, 2019 to merge its subsidiary YuanHan Materials Inc. by absorption. The reference date of the merger was on June 1, 2019, with Yuen Yu Investment Co., Ltd. as the surviving company, which was renamed as YuanHan Materials Inc. after the merger. In addition, the board of directors of YuanHan Materials Inc. approved the issuance of new shares on August 16, 2019 to merge the subsidiary, SiPix Technology Inc. The reference date of the merger is set on October 1, 2019, with YuanHan Materials Inc. as the surviving company.

b. Transyang Electronics (Yangzhou) Ltd. has completed its liquidation process in May 2019.

c. To adjust the investment structure, the Company purchased 4% ownership of Linfiny Corporation from YuanHan Material Inc.

d. E Ink Systems, LLC has completed its liquidation process in December 2019.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost					
Balance at January 1, 2018	$ 3,771,839	$ 7,203,466	$ 5,084,702	$ 306,234	$ 16,366,241
Additions	13,345	157,765	170,848	273,527	615,485
Disposals	(1,020)	(112,762)	(280,535)	-	(394,317)
Reclassifications	146,543	(63,105)	1,092	(148,233)	(63,703)
Effects of foreign currency exchange differences	(24,688)	(22,107)	23,662	8,069	(15,064)
Balance at December 31, 2018	$ 3,906,019	$ 7,163,257	$ 4,999,769	$ 439,597	$ 16,508,642
Accumulated depreciation and impairment					
Balance at January 1, 2018	$ 2,059,447	$ 6,180,597	$ 3,373,215	$ -	$ 11,613,259
Depreciation expenses	115,437	278,622	289,727	-	683,786
Impairment losses recognized (reversed)	-	(3,660)	139,093	-	135,433
Disposals	(584)	(84,650)	(277,751)	-	(362,985)
Reclassifications	-	(53,346)	-	-	(53,346)
Effects of foreign currency exchange differences	(11,158)	(13,198)	(4,590)	-	(28,946)
Balance at December 31, 2018	$ 2,163,142	$ 6,304,365	$ 3,519,694	$ -	$ 11,987,201
Carrying amount at December 31, 2018	$ 1,742,877	$ 858,892	$ 1,480,075	$ 439,597	$ 4,521,441
Cost					
Balance at January 1, 2019	$ 3,906,019	$ 7,163,257	$ 4,999,769	$ 439,597	$ 16,508,642
Additions	78,902	178,000	117,066	171,981	545,949
Disposals	(2,908)	(138,975)	(134,156)	-	(276,039)
Reclassifications	(229,924)	(55,324)	(130,864)	(125,543)	(541,655)
Effects of foreign currency exchange differences	(65,483)	(71,648)	(110,428)	(8,933)	(256,492)
Balance at December 31, 2019	$ 3,686,606	$ 7,075,310	$ 4,741,387	$ 477,102	$ 15,980,405
Accumulated depreciation and impairment					
Balance at January 1, 2019	$ 2,163,142	$ 6,304,365	$ 3,519,694	$ -	$ 11,987,201
Depreciation expenses	140,436	311,760	248,380	-	700,576
Impairment losses recognized	-	34,334	29,320	-	63,654
Disposals	(1,346)	(138,250)	(132,909)	-	(272,505)
Reclassifications	(126,002)	(121,127)	(187,458)	-	(434,587)
Effects of foreign currency exchange differences	(33,523)	(51,673)	(83,055)	-	(168,251)
Balance at December 31, 2019	$ 2,142,707	$ 6,339,409	$ 3,393,972	$ -	$ 11,876,088
Carrying amount at December 31, 2019	$ 1,543,899	$ 735,901	$ 1,347,415	$ 477,102	$ 4,104,317

For part of the Group's equipment with no future use, the Group assessed its recoverable amount to be zero. It performed an assessment of the recoverable amount of property, plant and equipment and recognized an impairment loss of $63,654 thousand and $135,433 thousand for the years ended December 31, 2019 and 2018, respectively. The impairment loss is mainly from the segments of ROC and Asia.

Information about the capitalized interest is as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized interest	$ 1,164	$ 497
Capitalization rate intervals	0.95-1.23%	0.91-2.11%

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

Buildings	
Main buildings	20-56 years
Clean rooms and plumbing construction	25-36 years
Employee dormitories	20 years
Others	2-16 years
Machinery	1-10 years
Other equipment	1-26 years

15. LEASE ARRANGEMENTS - 2019

a. Right-of-use assets

	December 31, 2019
Carrying amounts	
Land	$ 838,338
Buildings	925,449
Other equipment	2,247
	$ 1,766,034

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 22,354
Depreciation of right-of-use assets	
Land	$ 24,880
Buildings	57,355
Other equipment	1,957
	$ 84,192

b. Lease liabilities

	December 31, 2019
Carrying amounts	
Current (included in other current liabilities)	$ 72,608
Non-current	$ 1,721,654

Discount rate intervals for lease liabilities are as follows:

	December 31, 2019
Land	1.56%
Buildings	0.8-3.84%
Other equipment	0.8-3.84%

c. Material lease-in activities and terms

The Group leased certain land in the Hsinchu Science Park from the Hsinchu Science Park Bureau of the Ministry of Science and Technology from July 1, 2014 to December 31, 2033. The rental amount is calculated on the basis of the mutual agreement. The lessor may adjust the rent at any time on the basis of changes in announced land values and related laws and regulations. At the end of the lease terms, the Group has renewal options if the Group does not violate the lease agreements during the rental period.

The Group also leased certain land and buildings as its plants and offices, with the lease term from 2 to 20 years. The lease contract for land located in Taoyuan specifies that lease payments will be adjusted every year on the basis of changes in announced land values, with the adjusted limitation of 3% and renewal options at the end of the lease terms. The lease contract for buildings in the United States contains extension options, which provide more operational flexibility for the Group. These terms are not reflected in measuring lease liabilities if the options are not reasonably certain to be exercised.

The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, without the lessors' consent, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets, changing their use, or using illegally.

d. Other lease information

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 62,604
Expenses relating to low-value asset leases	$ 783
Total cash outflow for leases	$ 175,113

The Group leases other equipment which qualifies as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Patents	Others	Total
Balance at January 1, 2018	$ 6,702,636	$ 1,864,507	$ 24,646	$ 8,591,789
Additions	-	123,252	125,938	249,190
Amortization expenses	-	(395,765)	(24,829)	(420,594)
Effects of foreign currency exchange differences	78,608	27,162	(102)	105,668
Balance at December 31, 2018	6,781,244	1,619,156	125,653	8,526,053
Additions	-	50,546	73,257	123,803
Amortization expenses	-	(408,050)	(55,345)	(463,395)
Reclassifications	-	-	1,317	1,317
Effects of foreign currency exchange differences	(60,499)	(19,046)	(392)	(79,937)
Balance at December 31, 2019	$ 6,720,745	$ 1,242,606	$ 144,490	$ 8,107,841

The Group recognized goodwill in acquiring the patented technologies of electronic ink and electronic paper, which are mainly used in researching, developing, and manufacturing monitors and electronic shelf labels. The carrying amount of goodwill was allocated to the cash-generating units of these two products, and the recoverable amount of each cash-generating unit was determined based on a value in use calculation. The recoverable amount was determined by management based on financial budgets covering a 5-year period and discount rates of 12.67%-13.12% and 11.97%-12.42% per annum for the years ended December 31, 2019 and 2018, respectively. The cash flows beyond that 5-year period have been extrapolated using a steady annual growth rate. Other key assumptions included budgeted revenue and budgeted gross profit. Such assumptions were based on the past performance of the cash-generating unit and management's expectations of market development.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	6-17 years
Others	3-5 years

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured borrowings	$ 3,214,696	$ 1,480,000
Secured borrowings (Note 30)	1,343,136	-
	$ 4,557,832	$ 1,480,000
Foreign currency included		
US$ (in thousands)	$ 44,802	$ -
JPY (in thousands)	$ 40,000	$ -
Interest rate intervals	0.95-2.59%	0.98-1.52%

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	$ 580,000	$ 565,000
Less: Discounts on bills payable	113	278
	$ 579,887	$ 564,722
Interest rate intervals	0.61-0.79%	0.61-1.03%

c. Long-term borrowings (included in other non-current liabilities)

	December 31	
	2019	2018
Long-term payables	$ -	$ 44,752

Long-term payables on December 31, 2018 were interest-free infrastructure funds that Yangzhou Huaxia Integrated O/E System Co., Ltd. lent from Yangzhou Economic and Technological Development Zone Administration Committee. It has been repaid in November 2019.

18. OTHER PAYABLES

	December 31	
	2019	2018
Payables for salaries or bonuses	$ 787,812	$ 779,704
Payables for construction and equipment	123,125	127,906
Payable for professional service fees	49,921	45,911
Payables for utilities	40,367	30,018
Others	262,530	368,220
	$ 1,263,755	$ 1,351,759

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its subsidiary, YuanHan Materials Inc., adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, each entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group’s subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The defined benefit plan adopted by Hydis Technologies Co., Ltd. in accordance with the law is operated by the government of South Korea.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 153,393	$ 145,075
Fair value of plan assets	(65,793)	(64,305)
Net defined benefit liabilities	$ 87,600	$ 80,770

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 128,201	$ (57,851)	$ 70,350
Current service cost	7,871	-	7,871
Net interest expense (income)	2,071	(824)	1,247
Recognized in profit or loss	9,942	(824)	9,118
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,465)	(1,465)
Actuarial loss - changes in demographic assumptions	2,705	-	2,705
Actuarial loss - changes in financial assumptions	4,059	-	4,059
Actuarial loss - experience adjustments	4,936	-	4,936
Recognized in other comprehensive income or loss	11,700	(1,465)	10,235
Contributions from the employer	-	(4,165)	(4,165)
Benefits paid	(4,577)	-	(4,577)
Exchange differences on foreign plans	(191)	-	(191)
Balance at December 31, 2018	145,075	(64,305)	80,770

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Current service cost	$ 6,571	$ -	$ 6,571
Net interest expense (income)	1,942	(747)	1,195
Recognized in profit or loss	8,513	(747)	7,766
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,101)	(2,101)
Actuarial loss - changes in demographic assumptions	4,755	-	4,755
Actuarial loss - changes in financial assumptions	6,339	-	6,339
Actuarial loss - experience adjustments	4,583	-	4,583
Recognized in other comprehensive income or loss	15,677	(2,101)	13,576
Contributions from the employer	-	(4,215)	(4,215)
Benefits paid	(15,108)	5,575	(9,533)
Exchange differences on foreign plans	(764)	-	(764)
Balance at December 31, 2019	$ 153,393	$ (65,793)	$ 87,600

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	2018
Discount rates	0.8-3.1%	1.1-3.2%
Expected rates of salary increase	2.8-3.3%	2.8-3.0%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	2018
Discount rates		
0.25-1% increase	$ (4,992)	$ (4,453)
0.25-1% decrease	$ 5,284	$ 4,687
Expected rates of salary increase		
0.25-1% increase	$ 5,124	$ 4,551
0.25-1% decrease	$ (4,876)	$ (4,354)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
Expected contributions to the plans for the next year	$ 4,541	$ 4,298
Average duration of the defined benefit obligation	5-12 years	3-12 years

20. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	2,000,000	2,000,000
Amount of shares authorized	$ 20,000,000	$ 20,000,000
Number of shares issued and fully paid (in thousands)	1,140,468	1,140,468
Amount of shares issued	$ 11,404,677	$ 11,404,677

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)		
Issuance of shares	$ 9,494,322	$ 9,494,322
Conversion of bonds	525,200	525,200
Treasury share transactions	151,920	95,922

(Continued)

	December 31	
	2019	2018
<u>May only be used to offset a deficit</u>		
Expired employee share options	$ 50,346	$ 49,840
Changes in percentage of ownership interests in associates (2)	105	105
Unclaimed dividends extinguished by prescription	40	14
<u>May not be used for any purpose</u>		
Employee share options	85,060	77,890
	$ 10,306,993	$ 10,243,293

(Concluded)

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

2) Such capital surplus arises from the effect of changes in ownership interest in associates resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of associates accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with at least 50% of any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Note 22.

The Company's Articles of Incorporation also stipulate a dividends policy that allows previous accumulated undistributed earnings to be distributed. The distribution of dividends to shareholders is allowed to be in cash or by the issuance of shares. In principle, cash dividends should be at least 10% of the total dividends distributed.

The shareholders of the Company held their regular meeting on June 18, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation. The amendments explicitly stipulate that the board of directors are authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should been submitted in the shareholder's meeting.

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

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

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 18, 2019 and June 22, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	$ 261,367	$ 207,806		
Special reserve	184,797	-		
Cash dividends	2,373,438	1,853,550	$ 2.10	$ 1.65

The appropriation of earnings for 2019 were proposed by the Company's board of directors on March 18, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 308,077	
Reversal of special reserve	154,916	
Cash dividends	2,268,725	$2.00

The appropriation of earnings for 2019 is subject to resolution in the shareholders' meeting to be held on June 18, 2020.

d. Special reserve

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 70,678	$ 70,678
Appropriations in respect of Debits to other equity items	184,797	-
Balance at December 31	$ 255,475	$ 70,678

If a special reserve of $70,678 thousand appropriated on the first-time adoption of IFRSs relates to the exchange differences on translating the financial statements of foreign operations, the special reserve will be reversed proportionately on the Company's disposal of the foreign operations; on the Company's loss of significant influence; however, the entire special reserve will be reversed. An additional special reserve should be appropriated for the amount equal to the difference between the net debit balance of the reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and may thereafter be distributed.

e. Other equity items

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (181,328)	$ (242,623)
Exchange differences on translating the financial statements of foreign operations	(753,232)	60,307
Share of associates and join ventures accounted for using the equity method	(6,161)	(900)
Disposal of subsidiaries	2,934	1,888
Balance at December 31	$ (937,787)	$ (181,328)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (74,147)	$ 376,899
Unrealized gain (loss) on equity instruments	989,731	(432,897)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	(7,678)	(18,149)
Balance at December 31	$ 907,906	$ (74,147)

f. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 385,799	$ 310,300
Share of profit for the year	89,808	78,403
Remeasurement on defined benefit plans	59	43
Unrealized loss on financial assets at FVTOCI	(113)	-
Exchange difference on translating the financial statements of foreign operations	(22,908)	(2,947)
Balance at December 31	$ 452,645	$ 385,799

g. Treasury shares

Unit: Shares in Thousands

	For the Year Ended December 31	
	2019	2018
Number of shares at January 1	10,259	17,104
Transferred to employees	(4,154)	(6,845)
Number of shares at December 31	6,105	10,259

The board of directors of the Company resolved to repurchase 20,000 thousand shares of treasury shares on June 13, 2016, which was completed in August 2016, for the purpose of transferring to employees. Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

21. REVENUE

a. Revenue from contracts with customers

Type of Revenue/Category by Product	For the Year Ended December 31 2019	2018
Revenue from sale of goods		
Monitors	$ 10,742,725	$ 10,546,456
Electronic shelf labels	2,849,298	3,221,182
Others	9,653	441,023
	$ 13,601,676	$ 14,208,661
Royalty income	$ 2,240,251	$ 2,360,815

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable (Note 10)	$ 2,059,829	$ 2,243,412	$ 2,009,800
Contract assets-current			
Royalty	$ 60,088	$ 187,329	$ 192,775
Contract liabilities			
Royalty	$ 1,215,378	$ 1,423,203	$ 1,524,008
Sale of goods	83,230	149,799	128,842
Contract liabilities - current	1,298,608	1,573,002	1,652,850
Contract liabilities - non-current			
Royalty	1,024,259	1,761,719	1,481,910
	$ 2,322,867	$ 3,334,721	$ 3,134,760

The changes in the balances of contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment. Revenue recognized for the year from the beginning balance of the contract liabilities is as follows:

Type of Revenue	For the Year Ended December 31 2019	2018
Royalty income	$ 1,386,944	$ 1,586,796
Revenue from sale of goods	148,726	129,406
	$ 1,535,670	$ 1,716,202

22. NET INCOME

a. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 700,576	$ 683,786
Other intangible assets	463,395	420,594
Rights-of-use assets	84,192	-
	$ 1,248,163	$ 1,104,380
An analysis of depreciation by function		
Operating costs	$ 332,070	$ 393,833
Operating expenses	452,698	289,953
	$ 784,768	$ 683,786
An analysis of amortization by function		
Operating costs	$ 3,673	$ 2,602
Operating expenses	459,722	417,992
	$ 463,395	$ 420,594

b. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 19)		
Defined contribution plans	$ 74,082	$ 72,476
Defined benefit plans	7,766	9,118
	81,848	81,594
Share-based payments		
Equity-settled	63,912	135,552
Other employee benefits	3,608,196	3,485,230
Total employee benefits expense	$ 3,753,956	$ 3,702,376
An analysis of employee benefits expense by function		
Operating costs	$ 957,772	$ 1,114,021
Operating expenses	2,796,184	2,588,355
	$ 3,753,956	$ 3,702,376

c. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at the rates of no less than 1% and no higher than 10% as well as remuneration of directors at the rates of no higher than 1%, respectively, of net income before income tax, employees' compensation and remuneration of directors, net of accumulated deficit, if any. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 18, 2020 and March 20, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	$ 31,900	$ 27,100
Remuneration of directors	$ 15,579	$ 12,238

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2019	**2018**
Current tax		
In respect of the current year	$ 458,781	$ 212,311
Income tax on unappropriated earnings	6,682	-
Adjustments for the prior years	5,654	1,487
	471,117	213,798
Deferred tax		
In respect of the current year	76,753	384,431
Effect of tax rate changes	-	(31,037)
	76,753	353,394
Income tax expense recognized in profit or loss	$ 547,870	$ 567,192

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2019	2018
Income before income tax from continuing operations	$ 3,721,467	$ 3,259,268
Income tax expense calculated at the statutory rate (20%)	$ 744,293	$ 651,854
Nondeductible expenses in determining taxable income	125,807	77,763
Tax-exempt income	(54,920)	(42,975)
Income tax on unappropriated earnings	6,682	-
Unrecognized loss carryforwards, deductible temporary differences and investment credits	(429,856)	(257,931)
Effect of tax rate changes	-	(31,037)
Effect of different tax rates of group entities operating in other jurisdictions	62,591	61,941
Adjustments for the prior years	5,654	1,487
Others	87,619	106,090
Income tax expense recognized in profit or loss	$ 547,870	$ 567,192

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax benefit is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rates used by subsidiaries in China and the United States are 25% and 21%, respectively. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Current tax - in respect of the current year	$ (2,938)	$ (2,014)
Deferred tax - effect of tax rate changes	-	(2,212)
Income tax benefit recognized in other comprehensive income	$ (2,938)	$ (4,226)

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Prepaid income tax	$ 20,230	$ 34,597
Tax refund receivable	1,781	10,253
	$ 22,011	$ 44,850
Current tax liabilities		
Income tax payable	$ 146,121	$ 128,343

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Property, plant and equipment	$ 217,587	$ (104,361)	$ -	$ (2,273)	$ 110,953
Other payables	87,034	(22,093)	-	(1,567)	63,374
Inventories	198,805	7,636	-	(914)	205,527
Deferred revenue	33,924	(7,183)	-	(292)	26,449
Defined benefit plans	15,639	-	2,938	-	18,577
Prepayments	17,639	-	-	-	17,639
Others	32,936	7,996	-	(308)	40,624
	603,564	(118,005)	2,938	(5,354)	483,143
Loss carryforwards	266,049	(181,904)	-	(9,831)	74,314
Investment credits	202,275	239,615	-	(12,065)	429,825
	$ 1,071,888	$ (60,294)	$ 2,938	$ (27,250)	$ 987,282
Deferred tax liabilities					
Temporary differences					
Contract liabilities	$ 88,456	$ (10)	$ -	$ (4,995)	$ 83,451
Others	21,843	16,469	-	(909)	37,403
	$ 110,299	$ 16,459	$ -	$ (5,904)	$ 120,854

For the year ended December 31, 2018

	Opening Balance	Effect of Initial Application of IFRS 15	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets						
Temporary differences						
Property, plant and equipment	$ 241,833	$ -	$ (26,792)	$ -	$ 2,546	$ 217,587
Other payables	222,941	-	(136,963)	-	1,056	87,034
Inventories	148,247	-	49,673	-	885	198,805
Deferred revenue	43,380	-	(9,557)	-	101	33,924
Defined benefit plans	11,413	-	-	4,226	-	15,639
Prepayments	-	-	17,639	-	-	17,639
Others	19,355	-	13,560	-	21	32,936
	687,169	-	(92,440)	4,226	4,609	603,564
Loss carryforwards	505,023	-	(236,286)	-	(2,688)	266,049
Investment credits	233,057	-	(37,555)	-	6,773	202,275
	$ 1,425,249	$ -	$ (366,281)	$ 4,226	$ 8,694	$ 1,071,888
Deferred tax liabilities						
Temporary differences						
Contract liabilities	$ -	$ 94,843	$ (6,410)	$ -	$ 23	$ 88,456
Others	28,330	-	(6,477)	-	(10)	21,843
	$ 28,330	$ 94,843	$ (12,887)	$ -	$ 13	$ 110,299

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	**2018**
Loss carryforwards		
Expire in 2019	$ -	$ 84,399
Expire in 2020	1,017,102	1,080,637
Expire in 2021	50,191	52,244
Expire in 2022	1,011,974	1,035,450
Expire in 2023	343,647	370
Expire in 2024	290	290
Expire in 2025	316	761,124
Expire in 2026	17,263	17,262
Expire in 2027	156,218	495,540
Expire in 2028	94,453	351
Expire in 2029	109,495	460
Expire in 2030	26,338	26,984
	$ 2,827,287	$ 3,555,111
Deductible temporary differences	$ 887,029	$ 2,529,529

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised:

Unused Amount	**Expiry Year**
$ 1,059,803	2020
92,891	2021
1,054,674	2022
386,348	2023
42,990	2024
43,016	2025
43,601	2026
182,557	2027
120,791	2028
135,385	2029
26,338	2030
$ 3,188,394	

g. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2019 and 2018, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were $10,744,914 thousand and $8,328,762 thousand, respectively.

h. Income tax assessments

Income tax assessments of the Group were as follows:

Company	Latest Assessment Year
The Company	2017
YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	2017
New Field e-Paper Co., Ltd.	2017
Linfiny Corporation	2017

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 2.72	$ 2.32
Diluted earnings per share	$ 2.71	$ 2.31

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Income for the Year

	For the Year Ended December 31	
	2019	2018
Net income attributable to owners of the Company	$ 3,083,789	$ 2,613,673

Number of Shares

Unit: Shares in Thousands

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,132,286	1,126,786
Effect of potentially dilutive ordinary shares		
Employees' compensation	1,178	1,010
Share-based payment arrangements	3,464	4,141
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,136,928	1,131,937

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will 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, as the effect is 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.

25. SHARE-BASED PAYMENT ARRANGEMENTS

The board of directors resolved on May 8, 2019, August 14, 2018, May 8, 2018 and March 22, 2017 to transfer treasury shares of 25 thousand shares, 5,885 thousand shares, 8,097 thousand shares and 7,289 thousand shares, respectively, to qualified employees of the Company and its subsidiaries. In compliance with the Company's Regulations Governing Share Repurchase and Transfer to Employees, the transfer price for each arrangements is the average of the actual acquisition price of the treasury shares.

Information about treasury shares transferred to employees is as follows:

For the year ended December 31, 2019

Unit: Shares in Thousands

Grant Date	Transferable Shares	Shares Transferred for the Year	Accumulated Shares Transferred	Expired Shares	Shares at December 31
May 8, 2019	25	25	25	-	-
August 14, 2018	5,885	40	40	509	5,336
May 8, 2018	8,097	3,889	7,913	184	-
March 22, 2017	7,289	200	5,917	1,372	-

For the year ended December 31, 2018

Grant Date	Transferable Shares	Shares Transferred for the Year	Accumulated Shares Transferred	Expired Shares	Shares at December 31
August 14, 2018	5,885	-	-	16	5,869
May 8, 2018	8,097	4,024	4,024	28	4,045
March 22, 2017	7,289	2,821	5,717	1,372	200

Treasury shares transferred to employees in 2018 and 2017 were priced using a Black-Scholes pricing model, while treasury shares transferred to employees in 2019 was measured using the difference between the grant date share price of $36.6 and the exercise price of $18.02, which fair value of the stock options was calculated as $18.58. Compensation costs recognized were $63,912 thousand and $135,552 thousand for the years ended December 31, 2019 and 2018, respectively. The inputs to the models are as follows:

	August 2018	May 2018	March 2017
Grant date share price (NT$)	$36.85	$31.55	$25.20
Exercise price (NT$)	$18.02	$18.02	$18.02
Expected volatility	53.23%	48.31-49.82%	30.53-40.29%
Expected life	0-1 year	0-1 year	0-2 years
Expected dividend yield	2.46%	2.46%	2.34%
Risk-free interest rate	0.91%	0.6-1.04%	0.63-1.08%
Weighted-average fair value of options granted (NT$)	$18.80	$13.55	$7.48

26. NON-CASH TRANSACTIONS

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing activities:

	For the Year Ended December 31	
	2019	2018
Acquisition of property, plant and equipment		
Increase in property, plant and equipment	$ 545,949	$ 615,485
Decrease (increase) in payables for construction and equipment (included in other payables)	4,543	(40,424)
Net cash paid	$ 550,492	$ 575,061

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in the future.

The Group's risk management committee reviews the capital structure on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on the committee's recommendations, the Group expects to balance its capital structure through the payment of dividends, the issue of new shares and private ordinary shares or the payment of old debt.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets - mutual funds	$ 2,455,299	$ -	$ -	$ 2,455,299
Hybrid financial assets - overseas unlisted shares	-	-	60,285	60,285
	$ 2,455,299	$ -	$ 60,285	$ 2,515,584
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and overseas listed shares	$ 3,639,927	$ -	$ 782,743	$ 4,422,670
Domestic and overseas unlisted shares	-	-	51,847	51,847
	$ 3,639,927	$ -	$ 834,590	$ 4,474,517

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets - mutual funds	$ 1,840,835	$ -	$ -	$ 1,840,835
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and overseas listed shares	$ 2,923,732	$ -	$ 462,545	$ 3,386,277
Domestic and overseas unlisted shares	-	-	45,459	45,459
	$ 2,923,732	$ -	$ 508,004	$ 3,431,736
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts	$ -	$ 4,678	$ -	$ 4,678

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 508,004	$ 264,501
Recognized in profit or loss	(17,715)	-
Recognized in other comprehensive income (loss)		
Unrealized gain (loss) on equity instruments	328,187	(534,558)
Exchange differences on translating the financial statements of foreign operations	(1,601)	(5,977)
	326,586	(540,535)
Purchases	78,000	968,590
Disposals	-	(184,552)
Balance at December 31	$ 894,875	$ 508,004

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Derivatives - foreign exchange forward contracts were evaluated by to the discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates and contracted exchange rates at the end of the reporting year, discounted at a rate that reflects the credit risk of each counterparties.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

a) Domestic and overseas unlisted shares were evaluated by the market approach, referring to the market share prices and situations of companies with similar conditions. Unobservable input used by the Group was discount for lack of marketability, which was 20%-30% and 20% as of December 31, 2019 and 2018, respectively. If the discount for lack of marketability increased by 1% while all other variables were held constant, the fair value would have decreased $1,084 thousand and $126 thousand, respectively.

b) Overseas listed private shares were evaluated by the market approach, referring to the closing prices at the end of the reporting years with consideration of discount for lack of marketability. Unobservable input used by the Group was discount for lack of marketability, which was 15.18% and 16.6% as of December 31, 2019 and 2018, respectively. If the discount for lack of marketability increased by 1% while all other variables were held constant, the fair value would have decreased $9,228 thousand and $5,546 thousand, respectively.

b. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
FVTPL	$ 2,515,584	$ 1,840,835
Amortized cost (Note 1)	16,849,434	14,541,753
Equity instruments at FVTOCI	4,474,517	3,431,736
Financial liabilities		
FVTPL	-	4,678
Amortized cost (Note 2)	7,557,513	4,788,909

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable and other receivables.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, other payables and long-term borrowings (included in other non-current liabilities).

c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, notes and accounts payable, borrowings and lease liabilities. The Group's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to foreign currency risk, interest rate risk and other price risk.

There have been no changes to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign-currency-denominated sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy by utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign-currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting years are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar (USD).

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (NTD), renminbi (RMB) and South Korean Won (KRW) against USD. The sensitivity analysis included only outstanding foreign-currency-denominated monetary items and adjusts their translation at the end of the year for a 1% change in foreign currency rates. For a 1% strengthening of NTD, RMB and KRW against USD, pre-tax income would increase (decrease) as follows:

	NTD to USD For the Year Ended December 31		RMB to USD For the Year Ended December 31		KRW to USD For the Year Ended December 31	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Profit or loss	$ (20,042)	$ (12,681)	$ (10,448)	$ (12,874)	$ (60,924)	$ (58,358)

b) Interest rate risk

The carrying amount of the Group's financial assets with exposure to interest rates at the end of the reporting years were as follows:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 13,002,514	$ 9,922,843
Financial liabilities	$ 5,137,719	$ 2,089,474
Lease liabilities	$ 1,794,262	$ -
Cash flow interest rate risk		
Financial assets	$ 1,570,259	$ 2,003,246

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting years. A 50 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. The effective interest rates of floating rate financial assets will change when the market rates change, which will result in fluctuations in future cash flows.

If interest rates had been 50 basis points higher, the Group's pre-tax cash inflows for the years ended December 31, 2019 and 2018, would increase $7,851 thousand and $10,016 thousand, respectively, which was attributable to the Group's floating rate on its financial assets and if interest rates had been 50 basis points lower, there would be an equal and opposite impact on pre-tax cash flows.

c) Other price risk

The Group was exposed to instrument price risk and equity price risk through its investments in mutual funds and equity securities. Equity investments are held for strategic rather than for trading purposes, and the Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to price risk of mutual funds and equity securities at the end of the reporting years.

If prices in mutual funds and equity securities had been 5% higher/lower, the income before income tax for the years ended December 31, 2019 and 2018, would have increased/decreased by $125,779 thousand and $92,042 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income or loss before income tax for the years ended December 31, 2019 and 2018, would have increased/decreased by $223,726 thousand and $171,587 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to investments in equity securities resulting from the fair value of equity securities increases.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting years, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties, evaluated potential customers through an internal credit rating system and set the credit limit of customers to grasp the credit status of the counterparties and effectively control the credit exposure.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group's unutilized short-term bank borrowing facilities were $3,019,934 thousand and $3,221,445 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay, including principal and estimated interest. Therefore, bank borrowings 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.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Lease liabilities	$ 9,651	$ 19,303	$ 85,428	$ 368,373	$ 1,800,200
Fixed interest rate liabilities	3,941,755	1,206,956	-	-	-
	$ 3,951,406	$ 1,226,259	$ 85,428	$ 368,373	$ 1,800,200

Additional information about the maturity analysis for lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 114,382	$ 368,373	$ 407,519	$ 388,659	$ 388,659	$ 615,363

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Fixed interest rate liabilities	$ 1,916,151	$ 130,321	$ -	$ -	$ -
Non-interest bearing liabilities	-	-	-	-	44,752
	$ 1,916,151	$ 130,321	$ -	$ -	$ 44,752

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
NTX Electronics Yangzhou Co., Ltd.	Associate
Dihao Electronics (Yangzhou) Co., Ltd.	Associate
Plastic Logic HK Limited	Associate
PL Germany GmbH	Associate
Yuen Foong Yu Biotech Co., Ltd.	Associate
YFY Inc.	Investor with significant influence over the Group
YFY Investment Co., Ltd.	Subsidiary of investor with significant influence over the Group
Eihoyo Shoji Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yuen Foong Paper Co., Ltd. (Nanjing)	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Paper Mfg. Co., Ltd. (Yangzhou)	Subsidiary of investor with significant influence over the Group
Arizon RFID Technology (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Packaging Inc.	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Holding Management Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yeon Technologies (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
China Color Printing Co., Ltd.	Subsidiary of investor with significant influence over the Group
LiVEBRiCKS Inc.	Subsidiary of investor with significant influence over the Group
Syntax Communication (H.K.) Limited	Subsidiary of investor with significant influence over the Group
YFY Jupiter US, Inc.	Subsidiary of investor with significant influence over the Group
Jupiter Prestige Group North America Inc.	Subsidiary of investor with significant influence over the Group
Spectiv Brands, LLC	Subsidiary of investor with significant influence over the Group
Johnson Lee	Key management personnel
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	Substantive related party

(Continued)

Related Party Name	Related Party Category
Yuen Foong Paper Co., Ltd.	Substantive related party
SinoPac Securities Corp.	Substantive related party
Hsin Yi Enterprise Co., Ltd.	Substantive related party
TGKW Management Limited	Substantive related party
Hsin Fan Precision Electronics (Yangzhou) Co., Ltd.	Substantive related party
Foongtone Technology Co., Ltd.	Substantive related party
Shen's Art Print Co., Ltd.	Substantive related party

(Concluded)

b. Sales of goods

	For the Year Ended December 31	
Related Party Category	2019	2018
Associate	$ 40,277	$ 7,327
Others	-	37
	$ 40,277	$ 7,364

c. Purchases of goods

	For the Year Ended December 31	
Related Party Category	2019	2018
Associate	$ 575,555	$ 833,327
Investor and its subsidiaries with significant influence over the Group	8,002	8,413
Substantive related party	31	31
	$ 583,588	$ 841,771

d. Manufacturing costs

	For the Year Ended December 31	
Related Party Category	2019	2018
Substantive related party	$ 52,989	$ 55,998
Others	513	89
	$ 53,502	$ 56,087

e. Operating expenses

	For the Year Ended December 31	
Related Party Category	2019	2018
Substantive related party	$ 24,384	$ 25,198
Associate	9,379	11,741
Investor and its subsidiaries with significant influence over the Group	6,509	6,219
	$ 40,272	$ 43,158

f. Non-operating income - other income

Related Party Category	For the Year Ended December 31	
	2019	2018
Associate	$ 6,023	$ 6,781
Subsidiary of investor with significant influence over the Group	3,430	14,407
Substantive related party	82	299
	$ 9,535	$ 21,487

g. Accounts receivable from related parties (included in accounts receivable)

Related Party Category/Name	December 31	
	2019	2018
Associate	$ 128,863	$ 136,033
Subsidiary of investor with significant influence over the Group	7,931	23,536
Substantive related party	-	78
	$ 136,794	$ 159,647

The outstanding accounts receivable from related parties were unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for accounts receivable from related parties.

h. Accounts payable to related parties (included in notes and accounts payable)

Related Party Category	December 31	
	2019	2018
Associate	$ 27,219	$ 5,962
Substantive related party	4,682	5,439
Subsidiary of investor with significant influence over the Group	3,871	3,716
	$ 35,772	$ 15,117

The outstanding accounts payable to related parties were unsecured.

i. Prepayments and refundable deposits (included in other non-current assets)

Related Party Category/Name	December 31	
	2019	2018
Substantive related party		
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	$ 48,474	$ 50,480
Others	22	482
	$ 48,496	$ 50,962

j. Acquisitions of intangible assets

Related Party Category	Purchase Price December 31 2019	2018
Associate	$ 18,609	$ -

k. Lease arrangements

The Group leased offices from a subsidiary of investor with significant influence over the Group, with the lease term for 4 years. The related amounts were as follows:

Line Item	December 31, 2019
Lease liabilities	
Current (included in other current liabilities)	$ 3,001
Non-current	812
	$ 3,813

Line Item	For the Year Ended December 31, 2019
Interest expenses	$ 73

The lease contract between the Group and the related party was determined by reference to the market conditions and payment terms that were similar to those with the third parties.

l. Guarantee deposits received (included in other non-current liabilities)

Related Party Category	December 31 2019	2018
Key management personnel	$ 1,050	$ 1,050
Others	65	67
	$ 1,115	$ 1,117

m. Compensation of key management personnel

	For the Year Ended December 31 2019	2018
Short-term employee benefits	$ 128,004	$ 125,917
Post-employment benefits	1,566	1,426
Share-based payments	38,495	34,040
	$ 168,065	$ 161,383

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

As of December 31, 2019 and 2018, the following demand deposits and time deposits included in financial asset at amortized cost and other non-current assets were provided as collateral for short-term borrowings, line of credit for derivative instrument trading, tariffs guarantee for imported inventories, lease deposits for plants and land, and deposits for provisional attachment:

	December 31	
	2019	2018
Current	$ 1,616,260	$ 518,848
Non-current	146,847	155,486
	$ 1,763,107	$ 674,334

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Guaranteed notes issued for long-term and short-term borrowings and lines of credit for derivative instrument trading were $6,220,000 thousand and $4,670,000 thousand as of December 31, 2019 and 2018, respectively.

Letters of bank guarantees issued for tariff guarantee for imported inventories were $257,848 thousand and $89,506 thousand as of December 31, 2019 and 2018, respectively.

The board of directors of the subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., approved in March 2020 for an investment plan for the next three to five years. The content of the investment plan includes the construction of R&D buildings, capacity expansion and fundamental operating expenses, with expected investment amount from US$50,000 thousand to US$55,000 thousand. The source of funds is from the parent company’s capital increase via cash and the subsidiary’s proprietary funds.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 203,216	1,145.587 (USD:KRW)	$ 6,092,416
USD	199,524	29.98 (USD:NTD)	5,981,730
USD	170,686	6.976 (USD:RMB)	5,117,166
USD	16,862	7.789 (USD:HKD)	505,523
			$ 17,696,835

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
Non-monetary items			
Mutual funds			
USD	$ 81,897	1,145.587 (USD:KRW)	$ 2,455,299
Foreign currency liabilities			
Monetary items			
USD	132,673	29.98 (USD:NTD)	$ 3,977,537
USD	135,836	6.976 (USD:RMB)	4,072,363
USD	15,899	7.789 (USD:HKD)	476,652
			$ 8,526,552

(Concluded)

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 189,999	1,106.847 (USD:KRW)	$ 5,835,819
USD	183,199	30.715 (USD:NTD)	5,626,957
USD	131,188	6.863 (USD:RMB)	4,029,439
USD	34,289	7.834 (USD:HKD)	1,053,187
			$ 16,545,402
Non-monetary items			
Mutual funds			
USD	59,932	1,106.847 (USD:KRW)	$ 1,840,835
Foreign currency liabilities			
Monetary items			
USD	141,912	30.715 (USD:NTD)	$ 4,358,827
USD	89,275	6.863 (USD:RMB)	2,742,082
USD	33,340	7.834 (USD:HKD)	1,024,038
			$ 8,124,947

The Group’s net realized and unrealized gain on foreign currency exchange were $223,994 thousand and $310,568 thousand for the years ended December 31, 2019 and 2018, respectively. It is impractical to disclose net gain or loss on foreign currency exchange by each significant foreign currency due to the variety of the foreign currency transactions and the functional currency of each entity in the Group.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investments 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) Acquisition of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (Table 5)

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 7)

10) Intercompany relationships and significant intercompany transactions (Table 10)

11) Information on investees (Table 8)

b. Information on investments in mainland China (Table 9)

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, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income and limit on the amount of investment in the mainland China area.

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:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

e) The highest balance, the end of year balance, the interest rate range and total current year interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the breakdown by region. The Group's reportable segments were classified into the ROC, Asia and Americas according to their geographic locations.

The profit or loss from the Group's operating segments is primarily measured by the segment profit or loss, which is used for the basis for assessment of performance. In addition, there are no significant differences between the accounting standards applied by the segments and the summary of significant accounting policies as disclosed in Note 4.

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from operation by reportable segment:

	Segment Revenue	Segment Profit (Loss)
For the year ended December 31, 2019		
ROC	$ 14,557,163	$ 1,098,283
Asia	9,313,938	132,762
America	3,900,444	(310,162)
Adjustment and eliminations	(14,169,869)	-
	$ 13,601,676	920,883
Administration cost and remunerations to directors		(361,072)
Interest income		337,373
Royalty income		2,240,251
Dividend income		184,437
Interest expenses		(86,085)
Gain on sale of land use right		153,500
Net gain on foreign currency exchange		223,994
Net gain on fair value changes of financial assets and liabilities at FVTPL		83,444
Impairment loss		(63,654)
Other non-operating income and expenses, net		88,396
Income before income tax from continuing operations		$ 3,721,467

(Continued)

	Segment Revenue	Segment Profit (Loss)
For the year ended December 31, 2018		
ROC	$ 15,333,670	$ 1,287,665
Asia	10,279,307	(225,489)
America	4,014,081	(187,704)
Adjustment and eliminations	(15,418,397)	-
	$ 14,208,661	874,472
Administration cost and remunerations to directors		(417,307)
Interest income		176,439
Royalty income		2,360,815
Dividend income		136,225
Interest expenses		(28,579)
Net gain on foreign currency exchange		310,568
Net gain on fair value changes of financial assets and liabilities at FVTPL		6,413
Impairment loss		(223,627)
Other non-operating income and expenses, net		63,849
Income before income tax from continuing operations		$ 3,259,268

(Concluded)

Segment profit represented the income before income tax earned by each segment without allocation of administration costs and remuneration of directors, interest income, royalty income, dividend income, interest expenses, gain on sale of land use rights, net gain on foreign currency exchange, net gain on fair value changes of financial assets and liabilities at FVTPL, impairment loss, other non-operating income and expenses, and income tax expense, etc.

b. Revenue from major products

Category by Product	For the Year Ended December 31 2019	2018
Monitors	$ 10,742,725	$ 10,546,456
Electronic shelf labels	2,849,298	3,221,182
Others	9,653	441,023
	$ 13,601,676	$ 14,208,661

c. Geographical information

The Group operates in three principal geographical areas - ROC, Asia and Americas.

The Group's information about its non-current assets by location of assets is detailed below.

	Non-current Assets	
	December 31	
	2019	2018
ROC	$ 3,356,754	$ 1,755,295
Asia	1,418,936	1,841,732
America	9,541,421	9,859,730
	$ 14,317,111	$ 13,456,757

Non-current assets include property, plant and equipment, right-of-use assets, goodwill, other intangible assets and other non-current assets and exclude non-current assets classified as financial assets at FVTOCI, financial assets at FVTPL (included in other non-current assets), investments accounted for using the equity method and deferred tax assets.

d. Information about major customers

Customers who contributed 10% or more to the Group's revenue, mainly from monitors, were as follows:

	For the Year Ended December 31	
	2019	2018
Customer A	$ 3,211,841	$ 4,476,536
Customer B	2,513,417	53,438
Customer C	2,052,854	2,511,470
	$ 7,778,112	$ 7,041,444

E INK HOLDINGS INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Year (Note 1)	Ending Balance (Note 1)	Amount Actually Drawn (Note 1)	Interest Rate Intervals (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral Item	Collateral Value	Financing Limit for Each Borrowing Company (Note 2)	Aggregate Financing Limit (Note 2)
1	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Other receivables	Yes	$ 946,888 (RMB 206,222 thousand)	$ 886,234 (RMB 206,222 thousand)	$ 886,234 (RMB 206,222 thousand)	3.915	Short-term financing	$ -	Working capital	$ -	Right-of-use of land and buildings	$ 438,731 (RMB 102,090 thousand)	$ 3,161,412 (RMB 735,645 thousand)	$ 3,161,412 (RMB 735,645 thousand)
2	SiPix Technology Inc. (Note 3)	E Ink Holdings Inc.	Other receivables	Yes	250,000	-	-	1	Short-term financing	-	Working capital	-	-	-	-	-
3	Hydis Technologies Co., Ltd.	YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	Other receivables	Yes	457,500 (US$ 15,000 thousand)	449,700 (US$ 15,000 thousand)	449,700 (US$ 15,000 thousand)	2	Short-term financing	-	Working capital	-	-	-	3,342,973 (KRW 127,740,668 thousand)	3,342,973 (KRW 127,740,668 thousand)

Note 1: The amounts are translated at the exchange rate of US$1=$29.98, RMB1=$4.29747, and KRW1=$0.02617 on December 31, 2019, except the maximum balance that is translated at the highest exchange rate at the end of each month for the year.

Note 2: The aggregate and individual financing limit of subsidiaries shall not exceed 40% of the financing company's net equity per its latest financial statement. The above restriction does not apply to Transcend Optronics (Yangzhou) Co., Ltd. when providing financing to the foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company. Nonetheless, the aggregate and individual financing limit to these subsidiaries shall not exceed the financing company's net equity per its latest financial statements.

Note 3: SiPix Technology Inc. has been dissolved after merging with Yuanhan Materials Inc. on October 1, 2019. Refer to Note 13.

Note 4: The above intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsed/Guaranteed Party		Limit on Endorsement/ Guarantee Amount Provided to Each Endorsed/ Guaranteed Party (Note 1)	Maximum Balance for the Year (Note 2)	Ending Balance (Note 2)	Amount Actually Drawn (Note 2)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by Subsidiary	Endorsement/ Guarantee to Subsidiary in Mainland China
		Name	Relationship										
0	E Ink Holdings Inc.	E Ink Corporation	Subsidiary	$ 7,250,035	$ 884,800 (US$ 28,000 thousand)	$ 419,720 (US$ 14,000 thousand)	$ -	$ -	1.45	$ 29,000,139	Yes	No	No
		YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	Subsidiary	7,250,035	850,000	850,000	373,500	-	2.93	29,000,139	Yes	No	No
		Linfiny Corporation	Subsidiary	7,250,035	410,000	410,000	101,040	-	1.41	29,000,139	Yes	No	No
1	Hydis Technologies Co., Ltd.	E Ink Holdings Inc.	Parent company	2,089,358 (KRW 79,837,918 thousand)	449,700 (US$ 15,000 thousand)	449,700 (US$ 15,000 thousand)	-	-	5.38	8,357,433 (KRW 319,351,671 thousand)	No	Yes	No

Note 1: The amount shall not exceed 25% of the Company’s net equity.

Note 2: The amounts are translated at the exchange rate of US$1=29.98, and KRW1=0.02617 on December 31, 2019, except the maximum balance is translated at the highest exchange rate of the end of each month for the year.

Note 3: The amount shall not exceed the Company’s net equity.

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(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, 2019				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
E Ink Holdings Inc.	Ordinary shares							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	90,451	$ 1,175,869	0.80	$ 1,175,869	
	YFY Inc.	Investor with significant influence over the Company	Financial assets at FVTOCI	7,814	105,099	0.47	105,099	
	Ultra Chip, Inc.	-	Financial assets at FVTOCI	2,638	80,448	4.13	80,448	
	IGNIS INNOVATION INC.	-	Financial assets at FVTPL - non-current	388	-	0.19	-	
	New Medical Imaging Co., Ltd.	-	Financial assets at FVTPL - non-current	109	-	2.37	-	
	Convertible preferred shares							
	MICAREO INC.	-	Financial assets at FVTPL - non-current	6,000	60,285	14.69	60,285	
YuanHan Materials Inc.	Ordinary shares							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	146,432	1,903,620	1.30	1,903,620	
	YFY Inc.	Investor with significant influence over the parent company	Financial assets at FVTOCI	16	215	-	215	
	Netronix Inc.	One of its director	Financial assets at FVTOCI	5,309	211,041	6.40	211,041	
	SES-imagotag	-	Financial assets at FVTOCI	867	782,743	5.50	782,743	
	Fitipower Integrated Technology Inc.	-	Financial assets at FVTOCI	2,689	101,092	1.62	101,092	
	Formolight Technologies, Inc.	-	Financial assets at FVTOCI	2,228	16,120	10.93	16,120	
	Echem Solutions Corp.	-	Financial assets at FVTOCI	743	13,296	1.27	13,296	
	eCrowd Media Inc.	-	Financial assets at FVTOCI	1,010	4,598	6.62	4,598	
Transcend Optronics (Yangzhou) Co., Ltd.	Ordinary shares							
	Dalian DKE LCD Co., Ltd.	-	Financial assets at FVTOCI	837	RMB 4,150 thousand	3.52	RMB 4,150 thousand	
Hydis Technologies Co., Ltd.	Ordinary shares							
	Ssangyong Cement Industry Co., Ltd.	-	Financial assets at FVTOCI	423	KRW 2,397,860 thousand	0.08	KRW 2,397,860 thousand	
	Mutual funds							
	Term Liquidity Fund	-	Financial assets at FVTPL - current	771	KRW 94,135,529 thousand	-	KRW 94,135,529 thousand	

Note: Please refer to Tables 8 and 9 for information on investments in subsidiaries and associates.

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of Each Foreign Currency)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments	Ending Balance	
					Units (In Thousands)	Amount	Units (In Thousands)	Amount	Units (In Thousands)	Prices	Carrying Amount	Gain on Disposal (Note 1)		Units (In Thousands)	Amount
Rich Optronics (Yangzhou) Co., Ltd.	Principal guaranteed wealth investment products														
	Su-Yin-Xi structured	Financial assets at amortized cost	Bank of Jiangsu	-	-	RMB 68,000 thousand	-	RMB 167,000 thousand	-	RMB 186,799 thousand	RMB 184,500 thousand	RMB 2,299 thousand	-	-	RMB 50,500 thousand
	China CITIC Bank structured	Financial assets at amortized cost	China CITIC Bank	-	-	-	-	RMB 79,000 thousand	-	RMB 79,484 thousand	RMB 79,000 thousand	RMB 484 thousand	-	-	-
	Principal guaranteed wealth investment products														
Transyork Technology Yangzhou Ltd.	Interest rate linked structured deposits	Financial assets at amortized cost	Bank of Nanjing	-	-	-	-	RMB 91,000 thousand	-	RMB 92,491 thousand	RMB 91,000 thousand	RMB 1,491 thousand	-	-	-
	Mutual Funds														
Hydis Technologies Co., Ltd.	Term Liquidity Fund	Financial assets at FVTPL - current	Citibank	-	578	KRW66,591,956 thousand	452	KRW53,715,200 thousand	259	KRW30,617,223 thousand	KRW30,109,200 thousand	KRW 508,023 thousand (Note 2)	KRW 3,937,573 thousand (Note 2)	771	KRW94,135,529 thousand
	Ordinary shares														
E Ink Holdings Inc.	SiPix Technology Inc.	Investment accounted for using the equity method	(Note 3)	Subsidiary	-	2,010,330	-	-	-	1,310,010	1,310,010	-	(700,320) (Note 4)	-	-
	Ordinary shares														
	YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	Investment accounted for using the equity method	(Note 3)	Subsidiary	152,433	1,819,546	31,386	1,310,010	-	-	-	-	921,926 (Note 4)	183,819	4,051,482

Note 1: Included in interest income.

Note 2: Included in net gain on financial assets and liabilities at FVTPL.

Note 3: YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.) issued new shares to merge SiPix Technology Inc. in October 2019. Refer to Note 13.

Note 4: Changes in capital surplus, share of profit or loss of subsidiaries accounted for using the equity method, exchange differences on translating the financial statements of foreign operations, and unrealized gain (loss) on financial assets at FVTOCI, etc. are included.

E INK HOLDINGS INC. AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of RMB)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Land use rights, building and its accessories	November 27, 2019	February 2007 Acquisition of land use right	RMB 23,150 thousand	RMB 328,986 thousand	Based on the actual delivery of the property ownership certificate and land use certificate, as well as the progress of local government funding.	(Note)	Yangzhou Economic and Technological Development Zone's Demolition Placement Management Office	-	Cooperating with the government's regional expropriation plan of Yangzhou Economic and Technological Development Zone.	Reference to the appraisal result by Zhongzheng real estate appraisal cost Group Co., Ltd. and Jiangsu Zhong Run Assets Appraisal Co., Ltd., and the local government compensation regulations of land reserve and house demolition.	-

Note: The actual gain of disposal will be determined by the process of receipt of payment, delivery of the property ownership certificate and land use certificate, and will be adjusted by related tax expenses and recognized according to the regulations of IFRS.

TABLE 6

E INK HOLDINGS INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Sale	$ (3,211,841)	(25)	By agreements	$ -	-	$ 476,392	18	
	PVI International Corp.	Subsidiary	Sale	(2,892,095)	(22)	By agreements	-	-	283,029	11	
	E Ink Corporation	Subsidiary	Purchase	3,414,694	36	By agreements	-	-	(445,237)	(18)	
	E Ink Japan Inc.	Subsidiary	Purchase	101,567	1	By agreements	-	-	(8,230)	-	
	SiPix Technology Inc. (Note 3)	Subsidiary	Sale	(557,840)	(4)	By agreements	-	-	-	-	
	YuanHan Materials Inc.	Subsidiary	Sale	(204,148)	(2)	By agreements	-	-	305,731	11	(Note 4)
	YuanHan Materials Inc.	Subsidiary	Purchase	125,211	1	By agreements	-	-	(20,893)	(1)	
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Purchase	1,256,895	13	By agreements	-	-	(1,321,897)	(52)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	459,777	5	By agreements	-	-	-	-	
SiPix Technology Inc. (Note 3)	E Ink Holdings Inc.	Parent company	Purchase	557,840	88	By agreements	-	-	-	-	
YuanHan Materials Inc.	E Ink Holdings Inc.	Parent company	Sale	(125,211)	(31)	By agreements	-	-	20,893	8	
	E Ink Holdings Inc.	Parent company	Purchase	204,148	72	By agreements	-	-	(305,731)	(100)	
Linfiny Corporation	Linfiny Japan Inc.	Subsidiary	Purchase	122,845	52	By agreements	-	-	(30,532)	(52)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	115,570	48	By agreements	-	-	(27,429)	(47)	
Linfiny Japan Inc.	Linfiny Corporation	Parent company	Sale	(122,845)	(100)	By agreements	-	-	30,532	100	
Prime View Communications Ltd.	E Ink Holdings Inc.	Parent company	Purchase	3,211,841	100	By agreements	-	-	(476,392)	(100)	
PVI International Corp.	E Ink Holdings Inc.	Parent company	Purchase	2,892,095	100	By agreements	-	-	(283,029)	(100)	
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	Sale	(1,256,895)	(100)	By agreements	-	-	1,321,897	100	
E Ink Corporation	E Ink Holdings Inc.	Parent company	Sale	(3,414,694)	(98)	By agreements	-	-	445,237	93	
	E Ink California, LLC	Subsidiary	Purchase	479,714	50	By agreements	-	-	(323,096)	(96)	
E Ink California, LLC	E Ink Corporation	Parent company	Sale	(479,714)	(100)	By agreements	-	-	323,096	100	
E Ink Japan Inc.	E Ink Holdings Inc.	Parent company	Sale	(101,595)	(100)	By agreements	-	-	8,230	100	

Note 1: The calculation is based on each company's receivables from (payables to) related parties.

Note 2: The above intercompany transactions have been eliminated upon consolidation, except transactions with NTX Electronics Yangzhou Co., Ltd.

Note 3: SiPix Technology Inc. has been dissolved after merging with Yuanhan Materials Inc. on October 1, 2019. Refer to Note 13.

Note 4: The balance of accounts receivable includes accounts receivable of SiPix Technology Inc., which was merge into YuanHan Materials Inc.

E INK HOLDINGS INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amount Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	$ 476,392	4.28	$ -	-	$ 412,167	$ -
	PVI International Corp.	Subsidiary	283,029	13.79	-	-	240,533	-
	YuanHan Materials Inc.	Subsidiary	305,731	1.34	2,304	Collected	98,721	-
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	1,468,494	(Note 1)	168,126	Collected	734,535	-
YuanHan Materials Inc.	Transcend Optronics (Yangzhou) Co., Ltd.	Same ultimate parent company	236,462	(Note 1)	-	-	196,427	-
Tech Smart Logistics Ltd.	E Ink Holdings Inc.	Parent company	629,345	(Note 1)	629,345	In the process of collection	-	-
Dream Pacific International Corp.	Tech Smart Logistics Ltd.	Same ultimate parent company	157,325	(Note 1)	157,325	In the process of collection	-	-
PVI Global Corp.	Dream Pacific International Corp.	Subsidiary	203,864	(Note 2)	203,864	In the process of collection	-	-
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	1,321,897	(Note 1)	1	Collected	580,184	-
E Ink Corporation	E Ink Holdings Inc.	Parent company	445,237	10.67	5,617	Collected	383,431	-
E Ink California, LLC	E Ink Corporation	Parent company	323,096	1.68	197,623	In the process of collection	76,910	-

Note 1: Other receivables from materials delivered to subcontractors.

Note 2: Cash dividends receivables.

Note 3: The above intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of Investee	Share of Profit (Loss) of Investee	Note
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
E Ink Holdings Inc.	PVI Global Corp.	British Virgin Islands	Investment	$ 3,090,254	$ 3,090,254	99,413	100.00	$ 12,910,061	$ 2,403,115	$ 2,403,115	(Note 1)
	New Field e-Paper Co., Ltd.	Taoyuan, Taiwan	Wholesale and sale of electronics parts	6,394,455	6,394,455	671,032	100.00	5,476,644	(126,683)	(126,683)	(Note 1)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	4,911,303	4,911,303	1	45.31	4,184,838	109,334	(103,087)	(Note 1)
	YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	Taipei, Taiwan	Research, development and sale of electronic parts and electronic ink	6,420,230	5,015,000	183,819	100.00	4,051,482	156,083	148,111	(Notes 1 and 2)
	SiPix Technology Inc.	Taoyuan, Taiwan	Manufacture and sale of electronic ink	-	1,405,230	-	-	-	477,108	477,108	(Notes 1 and 2)
	Dream Universe Ltd.	Mauritius	Trading	128,710	128,710	4,050	100.00	372,492	8,375	8,375	(Note 1)
	Prime View Communications Ltd.	Hong Kong	Trading	18,988	18,988	3,570	100.00	27,679	408	408	(Note 1)
	Entte K Co., Ltd.	Taichung, Taiwan	Manufacture and sale of consumer audio-visual systems	34,547	34,547	2,203	47.07	-	-	-	Under liquidation
	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	49,267	49,267	1,550	0.09	3,861	(96,916)	(87)	(Note 1)
	Hot Tracks International Ltd.	British Virgin Islands	Trading	1,735	1,735	50	100.00	46	12	12	(Note 1)
	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	16,800	-	1,680	4.00	2,880	(103,411)	(920)	(Note 1)
New Field e-Paper Co., Ltd.	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	4,865,850	4,865,850	1,748,252	99.91	4,286,601	(96,916)	(96,828)	(Note 1)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	1,618,500	1,618,500	-	12.88	1,189,598	109,334	(29,304)	(Note 1)
YuanHan Materials Inc.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	323,400	323,400	32,340	77.00	55,436	(103,411)	(79,627)	(Note 1)
	Lucky Joy Holdings Ltd.	Samoa	Investment	36,117	36,117	1,098	100.00	11	-	-	(Note 1)
	Yuen Foong Yu Biotech Co., Ltd.	Taipei, Taiwan	Cultivation, processing and sale of agriculture and restaurant management	36,000	36,000	3,600	36.00	-	(62,926)	-	
	Kyoritsu Optronics Co., Ltd.,	Taipei, Taiwan	Technology development, transfer and licensing of flat panels	18,860	18,860	1,050	25.65	-	-	-	
SiPix Technology Inc.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	-	16,800	-	-	-	(103,411)	(3,216)	(Note 1)
Linfiny Corporation	Linfiny Japan Inc.	Tokyo, Japan	Research and development of electronic ink	11,088	11,088	4	100.00	23,151	3,188	3,188	(Note 1)
E Ink Corporation	E Ink California, LLC	California, USA	Research, development and sale of electronic ink	US$ 29,100 thousand	US$ 29,100 thousand	27,400	100.00	US$ 30,312 thousand	US$ 3,201 thousand	US$ 1,154 thousand	(Note 1)
	E Ink Japan Inc.	Tokyo, Japan	Development of electronic ink products	US$ 86 thousand	US$ 86 thousand	-	100.00	US$ 444 thousand	US$ 163 thousand	US$ 163 thousand	(Note 1)
	E Ink Systems, LLC	California, USA	Research and development of application software	-	US$ 337 thousand	-	-	-	US$ 103 thousand	US$ 103 thousand	(Note 1)
Tech Smart Logistics Ltd.	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	US$ 152,875 thousand	US$ 152,875 thousand	1	41.81	US$ 127,333 thousand	US$ 3,884 thousand	US$ (3,056) thousand	(Note 1)
PVI Global Corp.	PVI International Corp.	British Virgin Islands	Trading	US$ 151,300 thousand	US$ 151,300 thousand	151,300	100.00	US$ 105,668 thousand	US$ 8,902 thousand	US$ 8,902 thousand	(Note 1)
	Dream Pacific International Corp.	British Virgin Islands	Investment	US$ 1,000 thousand	US$ 1,000 thousand	26,000	100.00	US$ 251,067 thousand	US$ 65,017 thousand	US$ 65,017 thousand	(Note 1)
	Ruby Lustre Ltd.	British Virgin Islands	Investment	US$ 30,000 thousand	US$ 30,000 thousand	30,000	100.00	US$ 25,952 thousand	US$ 192 thousand	US$ 192 thousand	(Note 1)
	North Diamond International Co., Ltd.	British Virgin Islands	Investment	US$ 1,750 thousand	US$ 1,750 thousand	1,750	35.00	-	-	-	
	Rock Pearl International Corp.	British Virgin Islands	Investment	US$ 1,540 thousand	US$ 1,540 thousand	1,540	35.00	-	-	-	
Dream Pacific International Corp.	Hydis Technologies Co., Ltd.	South Korea	Research, development and licensing of monitors	US$ 27,612 thousand	US$ 27,612 thousand	3,783	94.73	US$ 259,838 thousand	US$ 67,053 thousand	US$ 64,638 thousand	(Note 1)
Hydis Technologies Co., Ltd.	Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	KRW 2,942,500 thousand	-	2,500	48.90	KRW 2,148,976 thousand	KRW(2,715,802) thousand	KRW (793,524) thousand	

Note 1: All intercompany transactions have been eliminated upon consolidation.

Note 2: YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.) issued new shares to merge SiPix Technology Inc. in October 2019. Refer to Note 13.

TABLE 9

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Product	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1)	Net Income (Loss) of Investee (Note 2)	Direct or Indirect Percentage of Ownership (%)	Share of Profit (Loss) of Investee (Notes 2 and 3)	Carrying Amount as of December 31, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Transcend Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	$ 4,535,974 (US$ 151,300 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	$ 3,263,173 (US$ 108,845 thousand)	$ -	$ -	$ 3,263,173 (US$ 108,845 thousand)	$ 320,557 (US$ 10,370 thousand)	100.00	$ 274,406 (US$ 8,877 thousand)	$ 3,161,301 (US$ 105,447 thousand)	$ -
Rich Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	899,400 (US$ 30,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	899,400 (US$ 30,000 thousand)	-	-	899,400 (US$ 30,000 thousand)	5,935 (US$ 192 thousand)	100.00	5,935 (US$ 192 thousand)	778,041 (US$ 25,952 thousand)	-
Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	2,156,491 (US$ 71,931 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	188,100 (US$ 6,085 thousand)	100.00	245,163 (US$ 7,931 thousand)	1,891,108 (US$ 63,079 thousand)	-
Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of flat panels	297,282 (US$ 9,916 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	198,168 (US$ 6,610 thousand)	-	-	198,168 (US$ 6,610 thousand)	27,388 (US$ 886 thousand)	100.00	14,127 (US$ 457 thousand)	58,101 (US$ 1,938 thousand)	-
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	557,628 (US$ 18,600 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	89,940 (US$ 3,000 thousand)	-	-	89,940 (US$ 3,000 thousand)	103,802 (US$ 3,358 thousand)	100.00	103,802 (US$ 3,358 thousand)	(752,018) (US$ (25,084) thousand)	-
Dihao Electronics (Yangzhou) Co., Ltd. (Under liquidation)	Assembly of LCD backlight board display modules	149,900 (US$ 5,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	52,465 (US$ 1,750 thousand)	-	-	52,465 (US$ 1,750 thousand)	-	35.00	-	-	-
NTX Electronics Yangzhou Co., Ltd.	Manufacture and sale of flat panels	171,899 (RMB 40,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	25,822 (RMB 5,761 thousand)	49.00	12,363 (RMB 2,823 thousand)	91,639 (RMB 21,325 thousand)	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 4,503,146 (US$ 150,205 thousand)	$ 8,364,750 (US$ 279,011 thousand)	$ 19,848,018

Note 1: The amounts are translated at the exchange rate of US$1＝NT$29.98 and RMB1＝NT$4.29747 on December 31, 2019.

Note 2: The amounts are translated at the average exchange rate of US$1＝NT$30.912 and RMB1＝NT$4.48214 for the year ended December 31, 2019.

Note 3: The amounts were calculated based on audited financial statements of the corresponding year.

Note 4: For information on the prices, payment terms and unrealized profit or loss of significant transactions with investee companies in mainland China, please refer to Tables 1, 6 and 7.

Note 5: The above intercompany transactions have been eliminated upon consolidation, except transactions with NTX Electronics Yangzhou Co., Ltd. and Dihao Electronics (Yangzhou) Co., Ltd.

(Concluded)

TABLE 10

E INK HOLDINGS INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No	Company Name	Related Party	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Sales	$ 3,211,841	By agreements	23.6
		PVI International Corp.	Subsidiary	Sales	2,892,095	By agreements	21.3
		Tech Smart Logistics Ltd.	Subsidiary	Accounts payable to related parties	629,345	By agreements	1.5
		E Ink Corporation	Subsidiary	Cost of goods sold	3,414,694	By agreements	25.1
		SiPix Technology Inc. (Note 3)	Subsidiary	Sales	557,840	By agreements	4.1
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Accounts receivable from related parties	1,468,494	By agreements	3.5
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Accounts payable to related parties	1,321,897	By agreements	3.2
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Cost of goods sold	1,256,895	By agreements	9.2
1	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Subsidiary	Other receivables from related parties	964,780	By agreements	2.3

Note 1: The above intercompany transactions have been eliminated upon consolidation.

Note 2: Transactions amounts of $500 million or more are disclosed in this table.

Note 3: SiPix Technology Inc. has been dissolved after merging with Yuanhan Materials Inc. on October 1, 2019. Refer to Note 13.