E Ink Holdings Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

REPRESENTATION LETTER OF COMBINED FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of E Ink Holdings Inc. as of and for the year ended December 31, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, E Ink Holdings Inc. and its subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

E INK HOLDINGS INC.

By:

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FRANK KO
Chairman

March 27, 2018

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 subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

<u>Impairment of Goodwill</u>

As disclosed in Notes 4 and 16 as well as Table 7 to the consolidated financial statements, the Group's goodwill was arisen from acquiring related subsidiaries to obtain electronic ink research and development and manufacturing centers, as well as to integrate patents of ePaper techniques. The amount of goodwill is material to the overall consolidated financial statements, therefore, management annually accesses the impairment of goodwill in accordance with the IAS 36 "Impairment of Assets".

Management assesses goodwill for any impairment by comparing the carrying amount with the calculated recoverable amount as assessed based on the entire consolidated financial statements of the subsidiaries. In order to perform the assessment, management needs to estimate future operating cash flows allocated to the subsidiaries and determine their suitable discount rates to calculate the recoverable amount. When determining future operating cash flows, management considers the forecasted growth rate of sales and profit rate, etc. based on future operating perspective of the subsidiaries to calculate weighted average cost of capital as their discount rates. Since the major assumptions are subject to management's judgement and may be variable to future market or prosperity of economy, which has its uncertainty, the impairment of goodwill has been identified as a key audit matter.

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

1. Understood the related process and controls that management used to assess the impairment of goodwill, including basis of assumptions and source of the data used in evaluation.

2. Evaluated whether management has taken into account the Group's recent operating performance and its industry conditions when estimating future growth of sales and profit rate to assess their achievability.

3. Evaluated the reasonableness of the discount rates that management used, and re-performed to check the calculation.

Impairment of Inventories

As disclosed in Notes 4 and 12 to the consolidated financial statements, inventories of the Group are stated at the lower of cost or net realizable value. Management estimates net realizable value based on current market conditions and historical experience with product sales of a similar nature. Impairment is recognized on inventories without any moving for certain periods. Rapid changes in the development of technology and market conditions may have influence on the estimation, and results in obsolete and aged inventories. Consequently, impairment of inventories has been identified as a key audit matter.

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

1. Understood management's accounting policy and method of calculation of obsolete and aged inventories, and inquired if there were significant issues in the current year that would impact the accounting treatment.

2. Evaluated the process and basis on management's decision on the impairment ratio of obsolete and aged inventories, and examined the conditions of obsolete and aged inventories when performing inventories physical counts, to confirm the reasonableness of impairment recognized on inventories.

3. Acquired inventory aging reports and, with the assistance of our internal computer audit specialists, tested the consistency of inventories movement with management's estimation.

Other Matter

We have also audited the financial statements of E Ink Holdings Inc. as of and for the years ended December 31, 2017 and 2016, 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 the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Wong and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2018

<u>Notice to Readers</u>

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 11,878,649	33	$ 8,564,749	26
Financial assets at fair value through profit or loss (Notes 4 and 7)	-	-	405,325	1
Debt investments with no active market (Notes 4 and 10)	519,209	1	435,596	1
Accounts receivable (Notes 4, 11 and 30)	2,009,800	6	1,625,716	5
Other receivables (Note 4)	325,740	1	243,369	1
Current tax assets (Notes 4 and 23)	315,229	1	425,835	1
Inventories (Notes 4 and 12)	2,143,359	6	1,461,343	4
Prepayments (Note 30)	220,007	1	240,633	1
Non-current assets held for sale (Notes 4 and 13)	-	-	973,212	3
Other financial assets (Notes 4 and 6)	199,391	-	23,244	-
Other current assets (Note 31)	136,356	-	308,200	1
Total current assets	17,747,740	49	14,707,222	44
NON-CURRENT ASSETS				
Available-for-sale financial assets (Notes 4 and 8)	2,749,317	8	1,787,015	5
Financial assets measured at cost (Notes 4 and 9)	267,981	1	300,255	1
Investments accounted for using the equity method (Notes 4 and 30)	88,756	-	114,291	-
Property, plant and equipment (Notes 4, 13 and 15)	4,752,982	13	5,319,822	16
Goodwill (Notes 4 and 16)	6,702,636	19	6,907,594	21
Other intangible assets (Notes 4 and 16)	1,889,153	5	2,270,881	7
Deferred tax assets (Notes 4 and 23)	1,425,249	4	1,689,278	5
Other non-current assets (Notes 30 and 31)	252,106	1	317,205	1
Total non-current assets	18,128,180	51	18,706,341	56
TOTAL	$ 35,875,920	100	$ 33,413,563	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 377,600	1	$ 451,500	1
Notes and accounts payable (Note 30)	2,201,116	6	1,136,394	3
Other payables (Notes 18 and 27)	1,641,420	5	1,264,464	4
Current tax liabilities (Notes 4 and 23)	153,649	-	74,052	-
Provisions (Notes 4, 13 and 19)	637,781	2	482,188	2
Receipts in advance (Note 4)	1,701,659	5	1,528,641	5
Current portion of long-term borrowings (Note 17)	117,993	-	129,000	-
Other current liabilities	40,334	-	77,711	-
Total current liabilities	6,871,552	19	5,143,950	15
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	45,545	-	170,981	1
Deferred revenue - non-current (Note 4)	1,607,917	5	906,903	3
Net defined benefit liabilities (Notes 4 and 20)	70,350	-	64,470	-
Other non-current liabilities (Notes 4, 23 and 30)	53,661	-	38,120	-
Total non-current liabilities	1,777,473	5	1,180,474	4
Total liabilities	8,649,025	24	6,324,424	19
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21, 25 and 26)				
Share capital	11,404,677	32	11,404,677	34
Capital surplus	10,108,119	28	10,071,683	30
Retained earnings				
Legal reserve	1,304,481	4	1,113,687	3
Special reserve	70,678	-	70,678	-
Unappropriated earnings	4,246,203	12	4,301,134	13
Total retained earnings	5,621,362	16	5,485,499	16
Other equity	106,609	-	488,620	2
Treasury shares	(308,269)	(1)	(360,464)	(1)
Total equity attributable to owners of the Company	26,932,498	75	27,090,015	81
NON-CONTROLLING INTERESTS (Notes 21 and 26)	294,397	1	(876)	-
Total equity	27,226,895	76	27,089,139	81
TOTAL	$ 35,875,920	100	$ 33,413,563	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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 30)	$ 15,203,334	100	$ 14,006,206	100
OPERATING COSTS (Notes 12, 22 and 30)	8,918,918	59	8,885,660	64
GROSS PROFIT	6,284,416	41	5,120,546	36
OPERATING EXPENSES (Notes 22 and 30)				
Selling and marketing expenses	728,467	5	528,498	4
General and administrative expenses	2,517,180	16	2,684,352	19
Research and development expenses	1,936,382	13	1,847,108	13
Total operating expenses	5,182,029	34	5,059,958	36
INCOME FROM OPERATIONS	1,102,387	7	60,588	-
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Interest income (Note 30)	90,819	-	74,546	-
Royalty income	2,606,703	17	2,254,572	16
Dividend income	100,951	1	74,702	-
Other income (Note 30)	99,243	1	75,260	1
Interest expense (Note 15)	(24,895)	-	(29,677)	-
Net gain on disposal of property, plant and equipment	50,317	-	26,427	-
Net gain (loss) on foreign currency exchange (Note 33)	(728,477)	(5)	105,185	1
Net gain on fair value change of financial assets at fair value through profit or loss	101,591	1	268	-
Impairment loss (Notes 15 and 30)	(21,672)	-	(178,170)	(1)
Other expenses	(38,956)	-	(55,177)	-
Total non-operating income and expenses	2,235,624	15	2,347,936	17
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,338,011	22	2,408,524	17
INCOME TAX EXPENSE (Notes 4 and 23)	(405,713)	(3)	(350,615)	(2)
NET INCOME FROM CONTINUING OPERATIONS	2,932,298	19	2,057,909	15
LOSS FROM DISCONTINUED OPERATIONS (Notes 4 and 13)	(849,968)	(5)	(64,588)	(1)
NET INCOME FOR THE YEAR	2,082,330	14	1,993,321	14

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E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 20)	$ (7,076)	-	$ (10,787)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	1,165	-	1,353	-
	(5,911)	-	(9,434)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(482,418)	(3)	(689,513)	(5)
Unrealized gain on available-for-sale financial assets	122,316	-	112,699	1
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	(2,102)	-	(5,085)	-
	(362,204)	(3)	(581,899)	(4)
Other comprehensive loss for the year, net of income tax	(368,115)	(3)	(591,333)	(4)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,714,215	11	$ 1,401,988	10
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 2,078,065	14	$ 1,907,939	14
Non-controlling interests	4,265	-	85,382	-
	$ 2,082,330	14	$ 1,993,321	14
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,690,155	11	$ 1,306,583	9
Non-controlling interests	24,060	-	95,405	1
	$ 1,714,215	11	$ 1,401,988	10

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E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 24)				
From continuing and discontinued operations				
Basic	$1.85		$1.69	
Diluted	$1.85		$1.69	
From continuing operations				
Basic	$2.57		$1.74	
Diluted	$2.56		$1.74	

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, 2017 AND 2016
(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 Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	1,140,468	$ 11,404,677	$ 10,071,578	$ 1,059,754	$ 70,678	$ 2,992,433	$ 966,474	$ 114,217	$ -	$ 26,679,811	$ (96,281)	$ 26,583,530
Appropriation of 2015 earnings												
Legal reserve	-	-	-	53,933	-	(53,933)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(536,020)	-	-	-	(536,020)	-	(536,020)
Changes in equity from investments in associates accounted for using the equity method	-	-	105	-	-	-	-	-	-	105	-	105
Net income for the year ended December 31, 2016	-	-	-	-	-	1,907,939	-	-	-	1,907,939	85,382	1,993,321
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(9,285)	(704,770)	112,699	-	(601,356)	10,023	(591,333)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	1,898,654	(704,770)	112,699	-	1,306,583	95,405	1,401,988
Acquisition of treasury shares - 20,000 thousand shares	-	-	-	-	-	-	-	-	(360,464)	(360,464)	-	(360,464)
BALANCE AT DECEMBER 31, 2016	1,140,468	11,404,677	10,071,683	1,113,687	70,678	4,301,134	261,704	226,916	(360,464)	27,090,015	(876)	27,089,139
Appropriation of 2016 earnings												
Legal reserve	-	-	-	190,794	-	(190,794)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,680,702)	-	-	-	(1,680,702)	-	(1,680,702)
Net income for the year ended December 31, 2017	-	-	-	-	-	2,078,065	-	-	-	2,078,065	4,265	2,082,330
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(5,899)	(504,327)	122,316	-	(387,910)	19,795	(368,115)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	2,072,166	(504,327)	122,316	-	1,690,155	24,060	1,714,215
Difference between actual consideration paid and carrying amount of subsidiaries acquired	-	-	(2,223)	-	-	(255,601)	-	-	-	(257,824)	191,413	(66,411)
Share-based payments	-	-	38,825	-	-	-	-	-	-	38,825	-	38,825
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	79,800	79,800
Treasury shares transferred to employees - 2,896 thousand shares	-	-	(166)	-	-	-	-	-	52,195	52,029	-	52,029
BALANCE AT DECEMBER 31, 2017	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

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	$ 3,338,011	$ 2,408,524
Loss before income tax from discontinued operations	(695,735)	(384,150)
Income before income tax	2,642,276	2,024,374
Adjustments for:		
Depreciation expenses	760,250	893,220
Amortization expenses	406,647	417,554
Reversal of impairment loss recognized on accounts receivable	(10,107)	(11,245)
Net gain on fair value change of financial assets at fair value through profit or loss	(101,591)	(268)
Interest expense	24,895	29,677
Interest income	(90,819)	(74,546)
Dividend income	(100,951)	(74,702)
Share-based payments	38,825	-
Share of loss of associates and joint ventures	9,333	10,800
Net gain on disposal of property, plant and equipment	(50,317)	(26,427)
Net gain on disposal of non-current assets held for sale	(7,280)	(5,808)
Net loss (gain) on disposal of investments	(2,775)	4,202
Impairment loss recognized on non-financial assets	181,060	328,046
Reversal of write-down of inventories	(246,721)	(232,336)
Net unrealized gain on foreign currency exchange	(16,992)	(17,498)
Changes in operating assets and liabilities		
Financial assets held for trading	115,789	-
Accounts receivable	(453,004)	(34,334)
Other receivables	266,000	832,097
Inventories	(585,945)	170,737
Prepayments	10,373	(59,783)
Other current assets	146,036	(93,460)
Notes and accounts payable	1,119,507	108,084
Other payables	394,143	56,562
Provisions	136,062	(231,888)
Receipts in advance	1,082,400	1,343,318
Other current liabilities	(37,043)	19,936
Net defined benefit liabilities	(1,654)	(25,997)
Cash generated from operations	5,628,397	5,350,315
Income tax paid	(113,125)	(521,847)
Net cash generated from operating activities	5,515,272	4,828,468
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(839,986)	-
Purchase of debt investments with no active market	(1,571,696)	(435,596)
Proceeds from repayments of debt investments with no active market	1,479,431	600,000
Purchase of financial assets measured at cost	-	(191,470)
Proceeds from disposal of financial assets measured at cost	25,080	-

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E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Acquisitions of associates and joint ventures	$ -	$ (83,697)
Proceed from disposal of non-current assets held for sale	815,316	6,003
Payments for property, plant and equipment	(332,067)	(303,217)
Proceeds from disposal of property, plant and equipment	63,378	180,527
Payments for other intangible assets	(111,594)	(196,721)
Decrease (increase) in other financial assets	(180,145)	333,740
Decrease in other non-current assets	40,124	15,350
Interest received	88,871	78,769
Dividend received	100,951	74,702
Net cash generated from (used in) investing activities	(422,337)	78,390
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(45,088)	351,682
Repayments of long-term borrowings	(122,700)	(2,093,750)
Increase in other non-current liabilities	5,109	11,186
Cash dividends	(1,680,702)	(536,020)
Cash paid for acquisition of treasury shares	-	(360,464)
Proceeds from treasury shares transferred to employees	52,029	-
Interest paid	(24,322)	(30,038)
Changes in non-controlling interests	13,389	-
Net cash used in financing activities	(1,802,285)	(2,657,404)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	23,250	(266,880)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,313,900	1,982,574
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	8,564,749	6,582,175
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 11,878,649	$ 8,564,749

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 Hsin-Chu Science-based Industrial 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. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 27, 2018.

3. APPLICATION OF NEW, AMENDED 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 Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

The amendments clarify that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is the fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Levels 2 and 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendments should be applied retrospectively starting from January 1, 2017. Refer to Note 13 for related disclosures.

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

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

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

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

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

New, Revised or Amended Standards and Interpretations ("New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

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

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

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

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

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

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed an assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead; and

b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

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

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

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for accounts receivable, contract assets and lease receivables. In relation to debt instrument investments, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

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

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

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets and equity			
Assets			
Financial assets measured at amortized cost - current	$ -	$ 718,600	$ 718,600
Debt investments with no active market - current	519,209	(519,209)	-
Other financial assets - current	199,391	(199,391)	-
Financial assets at fair value through other comprehensive income - current	-	3,086,572	3,086,572
Available-for-sale financial assets - non-current	2,749,317	(2,749,317)	-
Financial assets measured at cost - non-current	267,981	(267,981)	-
	$ 3,735,898	$ 69,274	$ 3,805,172
Equity			
Retained earnings	$ 5,621,362	$ 41,607	$ 5,662,969
Other equity	106,609	27,667	134,276
	$ 5,727,971	$ 69,274	$ 5,797,245

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

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

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

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

IFRS 15 and the related amendments require that when the nature of the Group's promise in granting a license is to provide a right to access the Group's intellectual property, revenue is recognized over time if all of the following criteria are met. Otherwise, the promise is to provide a right to use the Group's intellectual property as it exists at the point in time at which the license is granted and revenue is recognized when the license is transferred.

a) The contract requires, or the customer reasonably expects, the Group to undertake activities that significantly affect the intellectual property to which the customer has rights.

b) The rights granted by the license directly expose the customer to any positive or negative effects of the above activities.

c) Those activities do not result in the transfer of a good or a service to the customer as the activities occur.

The Group's activities significantly affect the intellectual property to which the customer has rights if those activities are expected to significantly change the form or the functionality of the intellectual property, or if the ability of the customer to obtain benefit from the intellectual property is substantially derived from, or dependent upon, those activities.

Some of the patented technology licensed by the Group can remain functional without any updates or technical support. Furthermore, the Group is not obliged to undertake activities that will change the functionality of the patented technology. The patented technology to which the license relates has significant stand-alone functionality and, under IFRS 15, the Group will recognize royalty income when the patented technology is licensed. Currently, royalty income is recognized on a straight-line basis over the license period of the agreement.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete as of January 1, 2018 and recognizes the cumulative effect of the changes in retained earnings on January 1, 2018. In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 15 as of January 1, 2018 is detailed below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Assets			
Contract assets - current	$ -	$ 117,872	$ 117,872
Contract assets - non-current	-	117,872	117,872
	$ -	$ 235,744	$ 235,744
Liabilities			
Contract liabilities - current	$ -	$ 1,652,850	$ 1,652,850
Receipts in advance	1,701,659	(1,701,659)	-
Contract liabilities - non-current	-	1,481,910	1,481,910
Deferred revenue - non-current	1,607,917	(1,607,917)	-
	$ 3,309,576	$ (174,816)	$ 3,134,760
Equity			
Retained earnings	$ 5,621,362	$ 388,923	$ 6,010,285
Non-controlling interests	294,397	21,637	316,034
	$ 5,915,759	$ 410,560	$ 6,326,319

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assesses the application of other standards and interpretations will have no material impact on the Group's consolidated financial position and financial performance.

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

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

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

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

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

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

Expect for the following, whenever applied, the above standards and interpretations would not have any material impact on the Group's accounting policies:

IFRS 16 "Leases"

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

The fair value measurements, 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 14 and Tables 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized 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.

For the purposes of presenting consolidated financial statements, the functional currencies of the Group and enties under its control (including subsidiaries, associates and joint ventures in other countries that use currencies that are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the year. Exchange differences are recognized in other comprehensive income and attributed to the owners of the Company and non-controlling interests as appropriate.

On a disposal of the Group's entire interest in a foreign operation or a disposal involving the loss of control 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. Investment 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 associate and joint venture. 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 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 forms 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 and joint venture had directly disposed of the related assets or liabilities.

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

i. Property, plant and equipment

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

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

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

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

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 period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

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 values, and amortization methods are reviewed at the end of each year, with the effects of any changes in the 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 shall cease.

n. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to 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 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, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

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

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

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

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

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Fair value is determined in the manner described in Note 29.

ii. Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on the financial assets. Any impairment loss is recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables and other financial assets) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within 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.

b) Impairment of financial assets

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

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

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

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset’s carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) 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, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method. On derecognition of a financial liability, the difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

4) Derivative financial instruments

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.

o. Provisions

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

1) Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expect to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

2) Restructurings

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has started to implement the plan or announced its main features. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3) Warranties

Provisions for the expected cost of warranty obligations are recognized at 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

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on sales are recognized by reference to the underlying arrangement. Proceeds of royalties received but which have not met the condition of revenue recognition are recognized as receipts in advance - current and deferred revenue - non-current, respectively, based on the remaining contract period.

3) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

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

q. Leasing

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 that which is 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 period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period 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.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit or when the Group recognizes any related restructuring costs.

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.

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 at 10% of unappropriated earnings is provided for as income tax in the year that the shareholders approve to retain 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.

a. 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.

b. Impairment of inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of the net realizable value is based on current market conditions and historical experience with products sales of a similar nature. Certain rates of impairment loss may be estimated if there is no changes in the stock of inventory over a certain period of time. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 1,541	$ 1,300
Checking accounts and demand deposits	7,967,839	3,960,960
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	3,803,487	3,190,074
Repurchase agreements collateralized by bonds	105,782	1,412,415
	$ 11,878,649	$ 8,564,749

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

	December 31	
	2017	**2016**
Demand deposits	0.01-1.15%	0.01-1.15%
Time deposits	0.2-3.2%	0.25-1.6%
Repurchase agreements collateralized by bonds	0.4-1.7%	0.4-1.25%

Time deposits with original maturities of more than 3 months, which were recorded as other financial assets, were $199,391 thousand and $23,244 thousand, respectively, as of December 31, 2017 and 2016.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	**2016**
Derivative financial assets		
Financial assets designated as at FVTPL - exchangeable bonds	$ -	$ 289,860
Non-derivative financial assets		
Financial assets held for trading - mutual funds	-	115,465
	$ -	$ 405,325

The Group signed a supplemental agreement with the issuing company of the exchangeable bonds on January 24, 2017. Both parties agreed that if the Group fails to exercise its exchange rights when exchangeable bonds are due in June 2017, the issuing company should redeem the bonds and pay the Group the principal plus the agreed rate of return.

The exchangeable bonds were due on June 20, 2017. The Group agreed to have the issuing company redeem the bonds and extend the relevant payment schedule based on the negotiation. The Group received the principal and the related interest according to the agreement totaling US$12,393 thousand on August 11, 2017.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	**2016**
Domestic investments		
Listed shares	$ 2,749,317	$ 1,787,015

9. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2017	**2016**
Overseas unlisted ordinary shares	$ 170,793	$ 174,331
Domestic emerging ordinary shares	59,218	81,523
Domestic unlisted ordinary shares	37,970	44,401
	$ 267,981	$ 300,255

Financial assets measured at cost were classified as available-for-sale financial assets according to the measurement categories.

Management believed that the above unlisted equity investments held by the Group had fair values which could not be reliably measured because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	**2016**
Principal guarantee notes	$ 519,209	$ 435,596

Principal guarantee notes bought from banks by the Group were measured at cost and may not be redeemed in advance during the term of the contract. The range of expected rates of return were 4.25-4.5% and 2.8-3.6% per annum, respectively, as of December 31, 2017 and 2016.

11. ACCOUNTS RECEIVABLE

	December 31	
	2017	**2016**
Accounts receivables from related parties (Note 30)	$ 248,685	$ 43,143
Accounts receivable	1,789,726	1,621,118
Less: Allowance for impairment loss	28,611	38,545
	1,761,115	1,582,573
	$ 2,009,800	$ 1,625,716

In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the respective accounts receivable since the date credit was initially granted to the end of the reporting period. Due to insignificant risks on the recoverability of the Group's accounts receivable historically, an allowance for impairment loss was recognized based on the estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their respective current financial positions.

Before accepting a new customer, the Group evaluates the credit quality of a potential customer through an internal credit rating system or an external credit rating agency and sets the credit line of the customer. The Group checks its customers' credit lines and ratings regularly.

For the accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in credit quality and the amounts were still considered recoverable.

The aging of accounts receivable was as follows:

	December 31	
	2017	**2016**
Not past due	$ 1,625,121	$ 1,547,280
Past due in 1-90 days	114,430	32,021
Past due more than 90 days	50,175	41,817
	$ 1,789,726	$ 1,621,118

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

The aging of accounts receivable that were past due but not impaired was as follows:

	December 31	
	2017	2016
1-90 days	$ 114,430	$ 29,259
More than 90 days	21,565	5
	$ 135,995	$ 29,264

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 43,744	$ 10,600	$ 54,344
Impairment losses reversed	(645)	(10,600)	(11,245)
Amounts written off during the year as uncollectible	(2,743)	-	(2,743)
Foreign exchange translation gains and losses	(1,811)	-	(1,811)
Balance at December 31, 2016	38,545	-	38,545
Impairment losses reversed	(10,107)	-	(10,107)
Foreign exchange translation gains and losses	173	-	173
Balance at December 31, 2017	$ 28,611	$ -	$ 28,611

Accounts receivable of the Group were mainly concentrated to Customer A. The accounts receivable from Customer A were $527,455 thousand and $774,523 thousand as of December 31, 2017 and 2016, respectively.

12. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 814,904	$ 309,145
Semi-finished goods	218,500	130,969
Work in progress	4,940	28,704
Raw materials	1,105,015	992,525
	$ 2,143,359	$ 1,461,343

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 included reversals of write-downs of inventories of $246,721 thousand and $232,336 thousand, respectively. Previous write-downs were reversed as a result of the disposals of obsolete inventories.

13. NON-CURRENT ASSETS HELD FOR SALE

a. Discontinued operations

The board of directors of the subsidiary, Hydis Technologies Co., Ltd., resolved on January 6, 2015 to shut down its display panel production line in order to focus on researching and developing patents and licensing businesses. Therefore, the Group classified operations related to the production line as discontinued operations.

The details of loss from discontinued operations and the related cash flow information are as follows:

	For the Year Ended December 31	
	2017	2016
Operating revenue	$ 133,081	$ 188,652
Operating costs	(128,575)	(272,851)
Gross profit (loss)	4,506	(84,199)
Operating expenses	(452,088)	(190,194)
Loss from operations	(447,582)	(274,393)
Impairment loss	(159,388)	(149,876)
Non-operating income and expenses	(88,765)	40,119
Loss before tax	(695,735)	(384,150)
Income tax benefit (expense)	(154,233)	319,562
Net loss for the year	$ (849,968)	$ (64,588)
Loss from discontinued operations attributable to:		
Owners of the Company	$ (805,175)	$ (61,184)
Non-controlling interests	(44,793)	(3,404)
	$ (849,968)	$ (64,588)
Net cash used in operating activities	$ (395,714)	$ (514,471)
Net cash generated from investing activities	829,077	6,289
Net cash inflows (outflows)	$ 433,363	$ (508,182)

b. Non-current assets held for sale

	December 31	
	2017	2016
Property, plant and equipment held for sale	$ -	$ 973,212
Liabilities directly associated with non-current assets classified as held for sale (included in provisions)	$ -	$ 179,053

The board of directors of the subsidiary, Hydis Technologies Co., Ltd., resolved to dispose of the aforementioned property, plant and equipment of the discontinued operations in October 2015 and reclassified the property, plant and equipment to non-current assets held for sale, which were presented separately in the consolidated balance sheets. The board of directors of Hydis Technologies Co., Ltd. resolved to sell the above property, plant and equipment to a non-related party in August 2017.

The Group determined the recoverable amount of the assets on the basis of their fair value less costs of disposal, and the fair value of the recoverable amount was categorized as a Level 1 measurement. The recoverable amount of KRW30,000,000 thousand was lower than the carrying amount. Therefore, an impairment loss of $159,388 thousand was recognized as a loss from discontinued operations. The Group has completed the related disposal procedures as of December 31, 2017.

The Group recognized an impairment loss of $149,876 thousand as a loss from discontinued operations based on the future recoverable amount.

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

			Proportion of Ownership (%)		
			December 31		
Investor	Investee	Main Business	2017	2016	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	
	Yuen Yu Investment Co., Ltd.	Investment	100.00	100.00	
	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	100.00	
	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	
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	
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	-	a
	YuanHan Materials Inc.	Manufacture and sale of electronic parts	100.00	-	b
SiPix Technology, Inc.	Linfiny Corporation	Research, development and sale of electronic ink	4.00	-	a
Linfiny Corporation	Linfiny Japan Inc.	Research, development and sale of electronic ink	100.00	-	a
E Ink Corporation	E Ink California, LLC	Research, development and sale of electronic ink	100.00	100.00	
	E Ink Japan Inc.	Development of electronic ink products	100.00	100.00	
	E Ink Systems, LLC	Research and development of application software	100.00	100.00	
PVI Global Corp.	PVI International Corp.	Trading	100.00	100.00	
	Ruby Lustre Ltd.	Investment	100.00	100.00	
	Dream Pacific International Corp.	Sale of LCD monitor products	100.00	100.00	
	Transyork Technology Yangzhou Ltd.	Assembly of LCD flat panels	55.61	55.61	
	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of LCD monitors	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	100.00	
PVI International Corp.	Transcend Optronics (Yangzhou) Co., Ltd.	Assembly of LCD flat panels	100.00	100.00	

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%) December 31 2017	2016	Remark
Ruby Lustre Ltd.	Rich Optronics (Yangzhou) Co., Ltd.	Assembly of LCD flat panels	100.00	100.00	
Dream Pacific International Corp.	Hydis Technologies Co., Ltd.	Research, development and sale of LCD monitors	94.73	94.73	
	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	24.19	-	c
Hydis Technologies Co., Ltd.	Hydis Taiwan Inc.	Sale of LCD monitor products	100.00	100.00	
	Hydis Shenzhen Ltd.	Sale of LCD monitor products	100.00	100.00	
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 of LCD flat panels	44.39	44.39	
	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of LCD monitors	33.34	33.34	

(Concluded)

a. The Group incorporated Linfiny Corporation and its subsidiary, Linfiny Japan Inc., in April 2017 to expand the market of electronic paper products. The Group originally held 100% of both entities. The Group had a joint venture partnership with Sony Semiconductor Solutions in September 2017 and participated in the capital increase of Linfiny Corporation. The investment structure adjusted the shareholding of the Group's subsidiaries, Yuen Yu Investment Co., Ltd. and SiPix Technology, Inc., in Linfiny Corporation to 77% and 4%, respectively. Therefore, the Group held 81% of Linfiny Corporation after the joint venture. Refer to Note 21 for the related information.

b. The Group incorporated YuanHan Materials Inc. in August 2017 whose main business is the manufacture and sale of related electronic paper display panel parts.

c. The Group's subsidiary, Dream Pacific International Corp., acquired 24.19% of Yangzhou Huaxia Integrated O/E System Co., Ltd. in the second quarter of 2017. Refer to Note 26 for the related information.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost					
Balance at January 1, 2016	$ 4,500,823	$ 10,386,796	$ 5,538,549	$ 166,622	$ 20,592,790
Additions	342	87,010	154,246	62,482	304,080
Disposals	(318,714)	(483,095)	(255,172)	-	(1,056,981)
Reclassifications	(3,423)	-	-	(790)	(4,213)
Effects of foreign currency exchange differences	(154,753)	(334,660)	(215,399)	(2,888)	(707,700)
Balance at December 31, 2016	$ 4,024,275	$ 9,656,051	$ 5,222,224	$ 225,426	$ 19,127,976

(Continued)

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Accumulated depreciation and impairment					
Balance at January 1, 2016	$ 2,360,507	$ 8,495,935	$ 3,239,181	$ -	$ 14,095,623
Depreciation expenses	127,365	410,645	355,210	-	893,220
Impairment losses	69,045	69,254	32,939	-	171,238
Disposals	(318,714)	(331,107)	(253,060)	-	(902,881)
Effects of foreign currency exchange differences	(60,955)	(241,637)	(146,454)	-	(449,046)
Balance at December 31, 2016	$ 2,177,248	$ 8,403,090	$ 3,227,816	$ -	$ 13,808,154
Carrying amount at December 31, 2016	$ 1,847,027	$ 1,252,961	$ 1,994,408	$ 225,426	$ 5,319,822
Cost					
Balance at January 1, 2017	$ 4,024,275	$ 9,656,051	$ 5,222,224	$ 225,426	$ 19,127,976
Additions	7,850	121,791	155,848	98,468	383,957
Disposals	(218,374)	(2,499,307)	(105,267)	-	(2,822,948)
Effects of foreign currency exchange differences	(41,912)	(75,069)	(188,103)	(17,660)	(322,744)
Balance at December 31, 2017	$ 3,771,839	$ 7,203,466	$ 5,084,702	$ 306,234	$ 16,366,241
Accumulated depreciation and impairment					
Balance at January 1, 2017	$ 2,177,248	$ 8,403,090	$ 3,227,816	$ -	$ 13,808,154
Depreciation expenses	117,735	318,255	324,260	-	760,250
Impairment losses	-	7,568	4	-	7,572
Disposals	(218,374)	(2,487,958)	(103,555)	-	(2,809,887)
Effects of foreign currency exchange differences	(17,162)	(60,358)	(75,310)	-	(152,830)
Balance at December 31, 2017	$ 2,059,447	$ 6,180,597	$ 3,373,215	$ -	$ 11,613,259
Carrying amount at December 31, 2017	$ 1,712,392	$ 1,022,869	$ 1,711,487	$ 306,234	$ 4,752,982

(Concluded)

The Group performed an assessment of the recoverable amount of property, plant and equipment and recognized an impairment loss of $7,572 thousand and $171,238 thousand, which was recognized as impairment loss and loss from discontinued operations in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016, respectively.

Information about the capitalized interest is as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 307	$ 228
Capitalization rate intervals	0.99-1.82%	1.1-1.58%

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

16. GOODWILL AND OTHER INTANGIBLE ASSETS

	December 31	
	2017	2016
Goodwill	$ 6,702,636	$ 6,907,594
Other intangible assets		
Patents	1,864,507	2,243,961
Others	24,646	26,920
	1,889,153	2,270,881
	$ 8,591,789	$ 9,178,475

	Goodwill	Patents	Others	Total
Balance at January 1, 2016	$ 6,954,923	$ 2,475,289	$ 31,618	$ 9,461,830
Additions	-	185,850	10,871	196,721
Amortization expenses	-	(392,942)	(14,196)	(407,138)
Effects of foreign currency exchange differences	(47,329)	(24,236)	(1,373)	(72,938)
Balance at December 31, 2016	6,907,594	2,243,961	26,920	9,178,475
Additions	-	99,533	12,061	111,594
Amortization expenses	-	(392,847)	(13,788)	(406,635)
Effects of foreign currency exchange differences	(204,958)	(86,140)	(547)	(291,645)
Balance at December 31, 2017	$ 6,702,636	$ 1,864,507	$ 24,646	$ 8,591,789

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

Other intangible assets	
Patents	6-17 years
Others	2-6 years

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Line of credit borrowings	$ 377,600	$ 451,500
Foreign currency included (in thousands of USD)	$ 10,000	$ 14,000
Interest rate intervals	0.98-2.08%	1.29-1.35%

b. Long-term borrowings

	December 31	
	2017	2016
Long-term payables	$ 163,538	$ 299,981
Less: Current portions	117,993	129,000
Long-term borrowings	$ 45,545	$ 170,981

Long-term payables included interest-free infrastructure funds lent from the Yangzhou Economic and Technological Development Zone Development Corporation to Yangzhou Huaxia Integrated O/E System Co., Ltd. and redemption of unsecured corporate bonds issued by the subsidary, Hydis Technologies Co., Ltd.

Hydis Technologies Co., Ltd. issued unsecured corporate bonds in the amount of KRW22,880,000 thousand in May 2008 and were acquired in equal parts by ALCO Electronics Limited and Varitronix International Limited with a coupon rate of 4% and quarterly-paid interest. The corporate bonds originally expired in May 2013. However, after several resolutions by the board of directors and creditors, the expiration of the corporate bonds was extended to January 2014 and the coupon rate was lowered to 3%. The corporate bonds were then redeemed by the subsidiaries, PVI Global Corp. and Dream Pacific International Corp., on December 31, 2013 at the price of US$20,000 thousand. They are expected to be paid off in July 2018, in principle with no interest, paid evenly over 5 years beginning from July 2014. As of December 31, 2017 and 2016, the above payables included in the current portion of long-term borrowings and in long-term payables were $117,993 thousand, $0, $129,000 thousand and $124,493 thousand, respectively.

18. OTHER PAYABLES

	December 31	
	2017	2016
Payables for salaries or bonuses	$ 808,450	$ 759,601
Payables for utilities	136,150	67,771
Payable for professional service fees	130,935	95,248
Payables for construction and equipment	86,466	35,819
Others	479,419	306,025
	$ 1,641,420	$ 1,264,464

19. PROVISIONS

	December 31	
	2017	2016
Litigation provisions (a)	$ 616,849	$ 13,545
Warranties (b)	20,932	26,760
Employee benefits (c)	-	262,830
Onerous leases (d)	-	179,053
	$ 637,781	$ 482,188

a. Litigation provisions are estimated by the Group's management based on the expected highly probable outcomes of related litigations.

b. The provision for warranty claims represents the present value of the Group's management's best estimate of the future outflow of the economic benefits based on historical experience which will be required under the Group's obligations for warranties under the local legislation for the sale of goods.

c. Employee benefits are the estimated payables in accordance with employee early retirement plans and related regulations.

d. The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts less revenue expected to be earned on the leases, where applicable. The estimate may vary as a result of changes in the utilization of the leased premises and sub-lease arrangements, where applicable.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its subsidiaries, SiPix Technology Inc., Linfiny Corporation, YuanHan Materials Inc. and Hydis Taiwan 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	
	2017	**2016**
Present value of defined benefit obligation	$ 128,201	$ 117,480
Fair value of plan assets	(57,851)	(53,010)
Net defined benefit liabilities	$ 70,350	$ 64,470

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, 2016	$ 187,481	$ (107,118)	$ 80,363
Service cost			
Current service cost	5,177	-	5,177
Past service cost	22,756	-	22,756
Net interest expense (income)	3,659	(1,815)	1,844
Recognized in profit or loss	31,592	(1,815)	29,777
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,126	1,126
Actuarial loss - changes in demographic assumptions	1,330	-	1,330
Actuarial loss - changes in financial assumptions	3,030	-	3,030
Actuarial loss - experience adjustments	5,301	-	5,301
Recognized in other comprehensive income	9,661	1,126	10,787
Contributions from the employer	-	(5,097)	(5,097)
Benefits paid	(110,551)	59,874	(50,677)
Exchange differences on foreign plans	(703)	20	(683)
Balance at December 31, 2016	117,480	(53,010)	64,470
Current service cost	6,729	-	6,729
Net interest expense (income)	1,839	(762)	1,077
Recognized in profit or loss	8,568	(762)	7,806
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	78	78
Actuarial loss - changes in demographic assumptions	4,255	-	4,255
Actuarial loss - changes in financial assumptions	925	-	925
Actuarial loss - experience adjustments	1,818	-	1,818
Recognized in other comprehensive income	6,998	78	7,076
Contributions from the employer	-	(4,157)	(4,157)
Benefits paid	(5,303)	-	(5,303)
Exchange differences on foreign plans	458	-	458
Balance at December 31, 2017	$ 128,201	$ (57,851)	$ 70,350

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 and corporate 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	
	2017	**2016**
Discount rates	1.4-3.6%	1.4-3.2%
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 decrease/increase as follows:

	December 31	
	2017	**2016**
Discount rates		
0.25-1% increase	$ (4,154)	$ (4,014)
0.25-1% decrease	$ 4,378	$ 4,226
Expected rates of salary increase		
0.25-1% increase	$ 4,269	$ 4,133
0.25-1% decrease	$ (4,079)	$ (3,954)

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	
	2017	**2016**
Expected contributions to the plans for the next year	$ 4,134	$ 4,787
Average duration of the defined benefit obligation	3-13 years	4-13 years

21. EQUITY

a. Ordinary shares

	December 31	
	2017	2016
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	
	2017	2016
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	20,106	-
The difference between consideration received or paid and the carrying amount of the subsidiaries net assets during actual disposals or acquisitions	-	2,223
May only be used to offset a deficit (2)		
Changes in percentage of ownership interests in subsidiaries	$ 49,840	$ 49,833
Share of changes in capital surplus of associates	105	105
May not be used for any purpose		
Employee share options	18,546	-
	$ 10,108,119	$ 10,071,683

Note 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).

Note 2: Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries 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 whereby the issuance of share dividends takes precedence over the payment of cash dividends. In principle, cash dividends should be at least 10% of the total dividends distributed.

The 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.

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

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on June 20, 2017 and June 22, 2016, respectively, and the dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 190,794	$ 53,933		
Cash dividends	1,680,702	536,020	$ 1.50	$ 0.47

The appropriation of earnings for 2017 were proposed by the Company's board of directors on March 27, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 207,806	
Cash dividends	1,853,550	$1.65

The appropriation of earnings for 2017 is subject to resolution in the shareholders meeting to be held on June 22, 2018.

d. Special reserve

If the special reserve appropriated on the first-time adoption of IFRSs relates to exchange differences on translating the financial statements of foreign operations, the special reserve will be reversed 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 foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 261,704	$ 966,474
Exchange differences on translating foreign operations	(502,225)	(703,887)
Gain on disposal of foreign operations reclassified to profit or loss	-	4,202
Share of exchange difference of associates and join ventures accounted for using the equity method	(2,102)	(5,085)
Balance at December 31	$ (242,623)	$ 261,704

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 226,916	$ 114,217
Unrealized gain on available-for-sale financial assets	122,316	112,699
Balance at December 31	$ 349,232	$ 226,916

f. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (876)	$ (96,281)
Attributable to non-controlling interests:		
Share of profit for the year	4,265	85,382
Remeasurement of defined benefit plans	(12)	(149)
Exchange differences on translating foreign operations	19,807	10,172
Acquisition of non-controlling interests in subsidiaries (Note 26)	191,413	-
Others (Note)	79,800	-
Balance at December 31	$ 294,397	$ (876)

Note: The Group had a joint venture partnership with Sony Semiconductor Solutions in September 2017 to increase its shareholding in Linfiny Corporation. The Group's shareholding of Linfiny Corporation went from 100% to 81%, which led to an increase in non-controlling interests.

g. Treasury shares

	For the Year Ended December 31	
	2017	2016
Number of shares at January 1 (in thousands)	20,000	-
Acquisition of treasury shares (in thousands)	-	20,000
Number of shares transferred to employees (in thousands)	(2,896)	-
Number of shares at December 31 (in thousands)	17,104	20,000

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 and will be transferred 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.

22. DEPRECIATION AND AMORTIZATION AND EMPLOYEE BENEFITS EXPENSE FROM CONTINUING OPERATIONS

a. Depreciation and amortization

	For the Year Ended December 31	
	2017	**2016**
Property, plant and equipment	$ 760,250	$ 893,220
Other intangible assets	406,529	406,969
Other non-current assets	12	10,416
	$ 1,166,791	$ 1,310,605
An analysis of depreciation by function		
Operating costs	$ 424,332	$ 580,336
Operating expenses	335,918	312,884
	$ 760,250	$ 893,220
An analysis of amortization by function		
Operating costs	$ 2,502	$ 2,806
Operating expenses	404,039	414,579
	$ 406,541	$ 417,385

b. Employee benefits expense

	For the Year Ended December 31	
	2017	**2016**
Post-employment benefits (Note 20)		
Defined contribution plans	$ 67,279	$ 81,410
Defined benefit plans	5,512	25,825
	72,791	107,235
Share-based payments		
Equity-settled	38,825	-
Other employee benefits	3,256,795	3,394,566
Total employee benefits expense	$ 3,368,411	$ 3,501,801
An analysis of employee benefits expense by function		
Operating costs	$ 953,727	$ 1,261,886
Operating expenses	2,414,684	2,239,915
	$ 3,368,411	$ 3,501,801

c. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 10% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on March 27, 2018 and March 22, 2017, respectively, were as follows:

	For the Year Ended December 31	
	2017	2016
Employees' compensation	$ 23,000	$ 20,000
Remuneration of directors	$ 13,000	$ 8,600

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 was 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, 2016 and 2015.

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

23. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 327,955	$ 195,497
Adjustments for the prior years	(20,454)	18,726
	307,501	214,223
Deffered tax		
Deferred tax in respect of the current year	(38,519)	136,392
Effect of tax rate changes	136,731	-
	98,212	136,392
Income tax expense recognized in profit or loss	$ 405,713	$ 350,615

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

	For the Year Ended December 31	
	2017	**2016**
Profit before tax from continuing operations	$ 3,338,011	$ 2,408,524
Income tax expense calculated at the statutory rate	$ 567,462	$ 409,449
Nondeductible expenses in determining taxable income	120,071	95,285
Tax-exempt income	(23,676)	(34,066)
Unrecognized loss carryforwards, deductible temporary differences and investment credits	(564,184)	(394,959)
Tax rate exchange	136,731	-
Effect of different tax rates of group entities operating in other jurisdictions	63,934	112,776
Adjustments for prior years' tax	(20,454)	18,726
Others	125,829	143,404
Income tax expense recognized in profit or loss	$ 405,713	$ 350,615

The applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. In December 2017, the US amended the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 35% to 21%, effective in 2018. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $36,119 thousand and $3,068 thousand, respectively, in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	December 31	
	2017	**2016**
Current tax assets		
Prepaid income tax	$ 309,128	$ 415,676
Tax refund receivable	6,101	10,159
	$ 315,229	$ 425,835
Current tax liabilities		
Income tax payable	$ 153,649	$ 74,052

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities (included in non-current liabilities) were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized for Discontinuing Operations	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets						
Temporary differences						
Property, plant and equipment	$ 424,892	$ 122,388	$ (305,239)	$ -	$ (208)	$ 241,833
Other payables	266,902	(82,012)	45,306	-	(7,255)	222,941
Inventories	276,429	(122,459)	-	-	(5,723)	148,247
Deferred revenue	4,246	38,944	-	-	190	43,380
Defined benefit plans	10,248	-	-	1,165	-	11,413
Others	32,373	(12,926)	-	-	(92)	19,355
	1,015,090	(56,065)	(259,933)	1,165	(13,088)	687,169
Loss carryforwards	494,294	(98,518)	105,700	-	3,547	505,023
Investment credits	179,894	68,566	-	-	(15,403)	233,057
	$ 1,689,278	$ (86,017)	$ (154,233)	$ 1,165	$ (24,944)	$ 1,425,249
Deferred tax liabilities						
Temporary differences						
Others	$ 16,135	$ 12,195	$ -	$ -	$ -	$ 28,330

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized for Discontinuing Operations	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets						
Temporary differences						
Property, plant and equipment	$ 713,950	$ (269,365)	$ -	$ -	$ (19,693)	$ 424,892
Inventories	282,587	(4,447)	-	-	(1,711)	276,429
Other payables	318,313	(43,185)	-	-	(8,226)	266,902
Defined benefit plans	8,895	-	-	1,353	-	10,248
Others	43,592	(6,264)	-	-	(709)	36,619
	1,367,337	(323,261)	-	1,353	(30,339)	1,015,090
Loss carryforwards	21,833	154,564	319,562	-	(1,665)	494,294
Investment credits	139,586	42,771	-	-	(2,463)	179,894
	$ 1,528,756	$ (125,926)	$ 319,562	$ 1,353	$ (34,467)	$ 1,689,278
Deferred tax liabilities						
Temporary differences						
Others	$ 5,670	$ 10,466	$ -	$ -	$ (1)	$ 16,135

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

	December 31	
	2017	2016
Loss carryforwards		
Expire in 2017	$ -	$ 498,482
Expire in 2018	120,247	213,380
Expire in 2019	85,894	154,081
Expire in 2020	1,079,321	1,163,779
Expire in 2021	53,159	424,751

(Continued)

	December 31	
	2017	2016
Expire in 2022	$ 976,666	$ 1,420,063
Expire in 2023	461,982	1,526,109
Expire in 2024	12,087	252,125
Expire in 2025	1,060,500	51,133
Expire in 2026	23,137	51,733
Expire in 2027	449,442	28,332
Expire in 2028	-	28,332
Expire in 2029	446	28,332
Expire in 2030	26,145	28,332
	$ 4,399,026	$ 5,868,964
Deductible temporary differences	$ 2,523,786	$ 2,133,074

(Concluded)

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2017 comprised:

Unused Amount	Expiry Year
$ 162,634	2018
128,281	2019
1,186,063	2020
95,546	2021
1,019,053	2022
1,813,676	2023
54,474	2024
1,842,802	2025
49,282	2026
525,587	2027
26,145	2028
26,145	2029
26,145	2030
$ 6,955,833	

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

As of December 31, 2017 and 2016, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were $6,466,056 thousand and $6,161,086 thousand, respectively.

g. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated on and after January 1, 1998	$ 4,246,203 (Note)	$ 4,301,134
Shareholder-imputed credit amounts ("ICA")	$ 247,457 (Note)	$ 447,942

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	(Note)	11.05%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no creditable ratio for the distribution of earnings in 2017 is expected.

h. Income tax assessments

Income tax assessments of the Group were as follows:

Company	Latest Assessment Year
The Company	2015
Yuen Yu Investment Co., Ltd.	2015
New Field e-Paper Co., Ltd.	2015
SiPix Technology, Inc.	2015
Hydis Taiwan Inc.	2017 (Note)

Note: Assessment of dissolution and liquidation.

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share		
For continuing operations	$ 2.57	$ 1.74
For discontinued operations	(0.72)	(0.05)
	$ 1.85	$ 1.69
Diluted earnings per share		
For continuing operations	$ 2.56	$ 1.74
For discontinued operations	(0.71)	(0.05)
	$ 1.85	$ 1.69

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

Net Profit (Loss) for the Year

	For the Year Ended December 31	
	2017	**2016**
Profit for the year attributable to owners of the Company	$ 2,883,240	$ 1,969,123
Loss for the year from discontinued operations	(805,175)	(61,184)
Earnings used in the computation of diluted earnings per share	$ 2,078,065	$ 1,907,939

Weighted Average Number of Ordinary Shares Outstanding

(In Thousand Shares)

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of ordinary shares in computation of basic earnings per share	1,121,916	1,130,865
Effect of potentially dilutive ordinary shares		
Employees' compensation	656	952
Employees' share options	1,660	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,124,232	1,131,817

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses 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.

Since the exercise price of the options or warrants issued by the Company exceeded the average market price of the shares during 2016, they were anti-dilutive and excluded from the computation of diluted earnings per share.

25. EMPLOYEE SHARE OPTIONS

Qualified employees of the Company and its subsidiaries were granted 4,500 options in July 2010. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years, expired in July 2016, and were exercisable at certain percentages after the second or third anniversary from the grant date. The options were granted at an exercise price equal to 70% of the closing price of the Company's ordinary shares listed the day before the grant date. For any subsequent changes in the Company's shares, such as share issuances for cash, retained earnings transferred to capital and capital surplus transferred to capital, the exercise price is adjusted accordingly.

The board of directors resolved on March 22, 2017 to transfer 7,289 thousand treasury shares to qualified employees of the Company and its subsidiaries. In compliance with the Corporation's Article of Incorporation, the transfer price is the average of the actual buy back price.

Information about treasury share transfers to employees as of December 31, 2017 is as follows:

(In Thousand Shares)

Grant Date	Transferable Shares	Transferred Shares for the Year	Accumulated Transferred Shares	Expired Shares	Transfer Price (NT$)
March 22, 2017	7,289	2,896	2,896	238	$18.02

Information on employee share options as of December 31, 2016 is as follows:

Grant Date	Exercisable Shares	Exercised Shares for the Year	Accumulated Exercised Shares	Expired Shares	Exercise Price (NT$)
July 2010	4,500	-	193	4,307	$23.6

Treasury shares transferred to employees in 2017 were priced using the Black-Scholes pricing model, while options granted in 2010 were priced using the binomial option pricing model. Compensation costs recognized were $38,825 thousand for the year ended December 31, 2017. The inputs to the models were as follows:

	March 2017	July 2010
Expected price volatility	30.53-40.29%	47.89%
Expected life (in years)	0-2	6
Expected dividend yield	2.34%	52.67%
Risk-free interest rate	0.63-1.08%	1.03%

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group subscribed for the remaining 24.19% of the outstanding shares of Yangzhou Huaxia Integrated O/E System Co., Ltd., increasing its continuing interest from 75.81% to 100%.

The above transaction was accounted for as an equity transaction, since the Group did not cease to have control over its subsidiary.

	For the Year Ended December 31, 2017
Cash consideration paid	$ 66,411
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	191,413
Differences recognized from equity transactions	$ 257,824
Line items adjusted for equity transactions	
Capital surplus - difference between actual consideration paid and carrying amount of subsidiaries acquired	$ 2,223
Retained earnings	255,601
	$ 257,824

27. NON-CASH TRANSACTIONS

For the years ended December 31, 2017 and 2016, the Group entered into the following non-cash investing activities:

	For the Year Ended December 31	
	2017	2016
Acquisitions of property, plant and equipment		
Increase in property, plant and equipment	$ 383,957	$ 304,080
Increase in payables for construction and equipment (included in other payables)	(51,890)	(863)
Net cash used	$ 332,067	$ 303,217

28. 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 issuance of new shares and private ordinary shares or the payment of old debt.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The consolidated financial statements include unlisted shares measured by cost. Since the range of fair values of these equity investments estimated by valuation techniques varied significantly, management believed that the unlisted equity investments held by the Group had fair values which could not be reliably measured. Therefore, they were measured at cost at the end of the reporting period.

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Listed securities - ROC	$ 2,749,317	$ -	$ -	$ 2,749,317

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments - convertible bonds	$ -	$ -	$ 289,860	$ 289,860
Non-derivative financial instruments - mutual funds	115,465	-	-	115,465
	$ 115,465	$ -	$ 289,860	$ 405,325
Available-for-sale financial assets				
Listed securities - ROC	$ 1,787,015	$ -	$ -	$ 1,787,015

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

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

For the year ended December 31, 2017

Financial Assets	Financial Assets at FVTPL Convertible Bonds
Balance at January 1	$ 289,860
Recognized in profit or loss	101,268
Recognized in other comprehensive loss	(17,083)
Repayments	(374,045)
Balance at December 31	$ -

For the year ended December 31, 2016

Financial Assets	Financial Assets at FVTPL Convertible Bonds	Available-for-sale Financial Assets Equity Instruments	Total
Balance at January 1	$ 295,084	$ 26	$ 295,110
Recognized in profit or loss	(65)	(25)	(90)
Recognized in other comprehensive loss	(5,159)	(1)	(5,160)
Balance at December 31	$ 289,860	$ -	$ 289,860

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

Financial Instruments	Valuation Techniques and Inputs
Derivatives - convertible bonds	Fair values are determined according to the calculation of the evaluation model and relevant value analysis report by financial institutions. Significant unobservable input changes are as follows. When net value per share increases, volatility decreases, risk-free interest rate decreases, risk premium decreases or liquidity discount decreases, and the fair value of such investment increases.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss (FVTPL)	$ -	$ 405,325
Loans and receivables (Note 1)	14,932,789	10,892,674
Available-for-sale financial assets (Note 2)	3,017,298	2,087,270
Financial liabilities		
Financial liabilities measured at amortized cost (Note 3)	4,383,674	3,152,339

Note 1: The balances included cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables and other financial assets.

Note 2: The balances included available-for-sale financial assets measured at cost.

Note 3: The balances included short-term borrowings, notes and accounts payable, other payables and long-term borrowings (current portion included).

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which 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 the financial risks of changes in foreign currency exchange rates, interest rates and other market-related factors.

There have been no changes to the Group's exposure to market risks or the manner in which these risks were 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 parameters and by utilizing forward foreign exchange 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 period are set out in Note 33.

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 the U.S. dollar (USD). The sensitivity analysis included only outstanding foreign-currency-denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. For a 1% strengthening of the New Taiwan dollar (NTD), Renminbi (RMB) and South Korean Won (KRW) against the U.S. dollar (USD), there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	NTD to USD		RMB to USD		KRW to USD	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016	2017	2016
Profit or loss	$ 5,529	$ 5,063	$ (1,576)	$ (14,429)	$ (66,889)	$ (44,896)

b) Interest rate risk

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

	December 31	
	2017	2016
Cash flow interest rate risk		
Financial assets	$ 7,967,839	$ 3,960,960

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 period. 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. When the market rate of floating rate financial assets change from the effective rate, the estimated future cash flows also change with it.

If interest rates had been 50 basis points higher, the Group's pre-tax profit for the years ended December 31, 2017 and 2016 would be $39,839 thousand and $19,805 thousand, respectively, which would be attributable to the Group's exposure to interest rates on its financial assets. If interest rates had been 50 basis points lower, there would be an equal and opposite impact on pre-tax profit, and the balances would be negative.

c) Other price risk

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

Sensitivity analysis

The sensitivity analysis was determined based on the exposure to equity price risk in listed equity securities at the end of the reporting period. If equity prices had been 5% higher/lower, the other comprehensive income (loss) for the years ended December 31, 2017 and 2016 would have increased/decreased by $137,466 thousand and $89,351 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As of the end of the reporting period, 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 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, 2017 and 2016, the Group had available unutilized short-term bank loans amounting to $2,939,890 thousand $3,531,806 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

December 31, 2017

	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	$ 229,097	$ -	$ 150,347	$ -	$ -
Non-interest bearing liabilities	-	-	117,993	-	45,545
	$ 229,097	$ -	$ 268,340	$ -	$ 45,545

December 31, 2016

	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	$ 452,072	$ -	$ -	$ -	$ -
Non-interest bearing liabilities	-	-	129,000	124,493	46,488
	$ 452,072	$ -	$ 129,000	$ 124,493	$ 46,488

30. 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. Names and categories of related parties

Name	Related-party Categories
NTX Electronics Yangzhou Co., Ltd.	Associate
Dihao Electronics (Yangzhou) Co., Ltd.	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
Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd.	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
Yuen Foong Precision Electronics (Yangzhou) 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
Chung Hwa Pulp Corporation	Subsidiary of investor with significant influence over the Group

(Continued)

Name	Related-party Categories
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 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
YFY Jupiter Ltd.	Subsidiary of investor with significant influence over the Group
Yuen Foong Shop Co., Ltd.	Subsidiary of investor with significant influence over the Group
Syntax Communication (H.K.) Ltd.	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
Yuen Foong Paper Co., Ltd.	Substantive related party
SinoPac Securities Corp.	Substantive related party
Bank SinoPac Co., Ltd.	Substantive related party
Hsin Yi Enterprise Co., Ltd.	Substantive related party
TGKW Management Limited	Substantive related party
Foongtone Technology Co., Ltd.	Substantive related party
Shen’s Art Print Co., Ltd.	Substantive related party

(Concluded)

b. Sales of goods

Related Party Categories	For the Year Ended December 31 2017	2016
Investor and its subsidiaries with significant influence over the Group	$ 1,106	$ 77,529
Associates	-	28
	$ 1,106	$ 77,557

c. Purchases of goods

Related Party Categories	For the Year Ended December 31 2017	2016
Associates	$ 534,123	$ 304,201
Investor and its subsidiaries with significant influence over the Group	7,348	21,009
Substantive related parties	16	49
	$ 541,487	$ 325,259

d. Manufacturing costs

Related Party Categories	For the Year Ended December 31 2017	2016
Substantive related parties	$ 64,503	$ 78,622
Associates	155	-
Investor and its subsidiaries with significant influence over the Group	83	-
	$ 64,741	$ 78,622

e. Operating expenses

Related Party Categories	For the Year Ended December 31 2017	2016
Substantive related parties	$ 26,996	$ 16,633
Investor and its subsidiaries with significant influence over the Group	16,925	2,190
Associates	8,076	4,310
	$ 51,997	$ 23,133

f. Non-operating income - other income

Related Party Categories	For the Year Ended December 31 2017	2016
Investor and its subsidiaries with significant influence over the Group	$ 12,387	$ 10,116
Associates	6,529	5,738
Substantive related parties	54	55
	$ 18,970	$ 15,909

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

Related Party Categories/Names	December 31 2017	December 31 2016
Associates		
NTX Electronics Yangzhou Co., Ltd.	$ 230,698	$ 28,535
Others	91	93
	230,789	28,628
Investor and its subsidiaries with significant influence over the Group	17,839	14,456
Substantive related parties	57	59
	$ 248,685	$ 43,143

The outstanding accounts receivable from related parties were unsecured. For the years ended December 31, 2017 and 2016, no impairment losses was recognized for accounts receivable from related parties.

h. Loans from related parties

Interest income from investor and its subsidiaries with significant influence over the Group was $409 thousand for the year ended December 31, 2017.

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

Related Party Categories	December 31 2017	December 31 2016
Associates	$ 104,978	$ 245
Substantive related parties	5,894	5,936
Investor and its subsidiaries with significant influence over the Group	4,608	4,498
	$ 115,480	$ 10,679

The outstanding accounts payable to related parties were unsecured.

j. Prepayments

Related Party Categories	December 31 2017	December 31 2016
Investor and its subsidiaries with significant influence over the Group	$ 1,679	$ -

k. Refundable deposits (included in other non-current assets)

Related Party Categories/Names	December 31 2017	December 31 2016
Substantive related parties		
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	$ 51,374	$ 104,599

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

Related Party Categories	December 31 2017	2016
Key management personnel	$ 1,050	$ -
Investor with significant influence over the Group	215	-
Associates	3	-
	$ 1,268	$ -

m. Other transactions with related parties

At the end of June 2016, the Group prepaid its investment of $36,000 thousand (included in other non-current assets) in Yuen Foong Yu Biotech Co., Ltd. which increased the share capital issued. Due to the Group's significant influence, Yuen Foong Yu Biotech Co., Ltd was reclassified as an investment accounted for using the equity method when it completed the registration of shares in August 2016.

The Group performed an assessment of the recoverable amount of Yuen Foong Yu Biotech Co., Ltd. and recognized an impairment loss of $14,100 thousand in 2017.

n. Compensation of key management personnel

	For the Year Ended December 31 2017	2016
Short-term employee benefits	$ 128,766	$ 118,286
Post-employment benefits	1,296	1,328
Share-based payments	10,075	-
	$ 140,137	$ 119,614

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

31. ASSETS PLEDGED AS COLLATERAL

Assets amounting to $139,629 thousand and $311,329 thousand (included in other current assets and non-current assets) as of December 31, 2017 and 2016, respectively, were provided as collateral for transaction lines of credit of derivative instruments, guarantees of tariffs of imported goods, tenancy deposits for renting plants and land and deposits for the application for provisional attachment.

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Loan note guarantees issued due to long-term and short-term borrowings and transaction lines of credit of derivative instruments were $3,770,000 thousand and $3,850,000 thousand as of December 31, 2017 and 2016, respectively.

Letters of bank guarantees issued due to customs import cargo guarantees were $91,090 thousand as of December 31, 2017.

The Group expected to file patent infringement actions against infringers for the purpose of safeguarding the intellectual property rights of its patented technology. As of December 31, 2017, since the infringers have filed patent infringement action against the Group, the Group will continue to take active defense to safeguard its rights and interests.

33. 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 are disclosed. The significant assets and liabilities denominated in foreign currencies are as follows:

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 202,455	29.76 (USD:NTD)	$ 6,025,061
USD	132,541	6.534 (USD:RMB)	3,944,420
USD	224,763	1,058.321 (USD:KRW)	6,688,947
USD	30,892	7.817 (USD:HKD)	919,346
			$ 17,577,774
Foreign currency liabilities			
Monetary items			
USD	221,034	29.76 (USD:NTD)	$ 6,577,972
USD	127,244	6.534 (USD:RMB)	3,786,781
USD	29,951	7.817 USD:HKD)	891,342
			$ 11,256,095

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 149,088	32.25 (USD:NTD)	$ 4,808,088
USD	133,019	6.937 (USD:RMB)	4,289,863
USD	139,213	1,194.002 (USD:KRW)	4,489,652
USD	31,790	7.756 (USD:HKD)	1,025,228
			$ 14,612,831

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency liabilities			
Monetary items			
USD	$ 164,786	32.25 (USD:NTD)	$ 5,314,349
USD	88,278	6.937 (USD:RMB)	2,846,966
USD	30,835	7.756 (USD:HKD)	994,429
			$ 9,155,744

(Concluded)

For the years ended December 31, 2017 and 2016, net foreign exchange gains and losses (realized and unrealized) were losses of $(728,477) thousand and gains of $105,185 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (Table 4)

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 6)

9) Trading in derivative instruments (Note 7)

10) Intercompany relationships and significant intercompany transactions (Table 9)

11) Information on investees (Table 7)

b. Information on investments in mainland China (Table 8)

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 period, 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 period

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

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 period and the purposes

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

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

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the geographical areas of goods or services delivered or provided. Specifically, the Group’s reportable segments were the ROC, Asia and the Americas.

The Group measured segment profit or loss for the purpose of assessment of segment performance. On the other hand, there were 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 by reportable segment.

	Segment Revenue	Segment Profit or Loss
For the year ended December 31, 2017		
ROC	$ 16,678,331	$ 2,008,918
Asia	10,962,090	(315,107)
Americas	4,356,347	(173,479)
Adjustments and eliminations	(16,793,434)	-
	$ 15,203,334	1,520,332
Administration costs and remuneration of directors		(417,945)
Interest income		90,819
Royalty income		2,606,703
Dividend income		100,951
Interest expense		(24,895)
Net gain on disposal of property, plant and equipment		50,317
Net loss on foreign currency exchange		(728,477)
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss		101,591
Impairment loss		(21,672)
Other non-operating income and expenses, net		60,287
Profit before income tax from continuing operations		$ 3,338,011

	Segment Revenue	Segment Profit or Loss
For the year ended December 31, 2016		
ROC	$ 15,903,447	$ 1,256,153
Asia	10,234,522	(265,612)
Americas	3,533,670	(473,831)
Adjustments and eliminations	(15,665,433)	-
	$ 14,006,206	516,710
Administration costs and remuneration of directors		(456,122)
Interest income		74,546
Royalty income		2,254,572
Dividend income		74,702
Interest expense		(29,677)
Net gain on disposal of property, plant and equipment		26,427
Net profit on foreign currency exchange		105,185
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss		268
Impairment loss		(178,170)
Other non-operating income and expenses, net		20,083
Profit before income tax from continuing operations		$ 2,408,524

Segment profit represented the profit before income tax earned by each segment without allocation of central administration costs and remuneration of directors, interest income, royalty income, dividend income, interest expense, net gain on disposal of property, plant and equipment, net gain (loss) on foreign currency exchange, net gain on fair value changes of financial assets and liabilities at fair value through profit or loss, impairment loss, other non-operating income and expenses, net and income tax expense.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2017	2016
Monitors	$ 11,868,586	$ 11,410,193
Electronic tags	3,055,711	2,440,927
Others	279,037	155,086
	$ 15,203,334	$ 14,006,206

c. Geographical information

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

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

	Non-current Assets	
	December 31	
	2017	2016
ROC	$ 1,707,310	$ 1,769,473
Asia	2,002,315	2,364,612
Americas	9,887,252	10,681,417
	$ 13,596,877	$ 14,815,502

Non-current assets include property, plant and equipment, goodwill, other intangible assets and other non-current assets and exclude non-current assets classified as held for sale, financial instruments and deferred tax assets.

d. Information about major customers

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

	For the Year Ended December 31	
	2017	2016
Customer A	$ 4,961,278	$ 5,700,119
Customer B	2,902,624	1,983,575
Customer C	1,698,101	1,249,486
	$ 9,562,003	$ 8,933,180

E INK HOLDINGS INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount (Note 1)	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)
													Item	Value		
1	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd. (Note 3)	Other receivables	Yes	\$ 928,308 (RMB 203,822 thousand)	\$ 928,308 (RMB 203,822 thousand)	\$ 928,308 (RMB 203,822 thousand)	3.915	Short-term financing	\$ -	Working capital	\$ -	Right-of-use land and building	\$ 464,971 (RMB 102,090 thousand)	\$ 1,296,269 (RMB 284,613 thousand)	\$ 1,296,269 (RMB 284,613 thousand)
2	Rich Optronics (Yangzhou) Co., Ltd.	Yuen Foong Yu Paper Mfg. Co., Ltd. (Yangzhou)	Other receivables	Yes	81,981 (RMB 18,000 thousand)	81,981 (RMB 18,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	321,874 (RMB 70,672 thousand)	321,874 (RMB 70,672 thousand)

Note 1: Translated at the exchange rate on December 31, 2017, RMB1=NT\$4.5545.

Note 2: The amount is at most 40% of the net equity of the latest financial statements of the borrower.

Note 3: All intercompany financing loans have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount (Note 3)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 4)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	E Ink Holdings Inc.	E Ink Corporation	(Note 1)	$ 6,733,125	$ 1,279,680 (US$ 43,000 thousand)	$ 1,279,680 (US$ 43,000 thousand)	$ 148,800 (RMB 5,000 thousand)	$ -	4.75	$ 26,932,498	Yes	No	No
		Dream Pacific International Corp.	(Note 1)	6,733,125	119,040 (US$ 4,000 thousand)	59,520 (US$ 2,000 thousand)	59,520 (RMB 2,000 thousand)	-	0.22	26,932,498	Yes	No	No
		PVI Global Corp.	(Note 1)	6,733,125	119,040 (US$ 4,000 thousand)	59,520 (US$ 2,000 thousand)	59,520 (RMB 2,000 thousand)	-	0.22	26,932,498	Yes	No	No

Note 1: Subsidiary.

Note 2: At most 25% of the Company’s net equity.

Note 3: At the exchange rate on December 31, 2017, US$1=NT$29.76.

Note 4: At most 100% of the Company’s net equity.

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(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, 2017				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
E Ink Holdings Inc.	Shares							
	SinoPac Financial Holding Company Limited	Substantive related party	Available-for-sale financial assets	88,678	$ 857,516	0.80	$ 857,516	
	YFY Inc.	Investments accounted for using the equity method	Available-for-sale financial assets	7,814	109,005	0.47	109,005	
	Ultra Chip, Inc.	Corporate director	Available-for-sale financial assets	2,863	111,357	4.51	111,357	
	Ignis Innovation Inc.	-	Financial assets measured at cost	388	-	0.22	-	
	New Medical Imaging (NMI)	-	Financial assets measured at cost	109	-	2.37	-	
Yuen Yu Investment Co., Ltd.	Shares							
	SinoPac Financial Holding Company Limited	Substantive related party	Available-for-sale financial assets	112,750	1,090,295	1.02	1,090,295	
	YFY Inc.	Investments in parent company accounted for using the equity method	Available-for-sale financial assets	16	223	-	223	
	Netronix, Inc.	Corporate director	Available-for-sale financial assets	5,309	282,980	6.38	282,980	
	Fitipower Integrated Technology Inc.	-	Financial assets measured at cost	2,689	59,218	1.90	47,095	
	Formolight Technologies, Inc.	-	Financial assets measured at cost	2,228	27,801	10.93	18,950	
	Echem Solutions Corp.	-	Financial assets measured at cost	643	10,169	2.5	17,148	
SiPix Technology, Inc.	Shares							
	SinoPac Financial Holding Company Limited	Substantive related party	Available-for-sale financial assets	30,811	297,941	0.28	297,941	
Transcend Optronics (Yangzhou) Co., Ltd.	Shares							
	Wuxi Vision Peak Technology Corporation Limited	-	Financial assets measured at cost	-	RMB 37,500 thousand	10.00	RMB 50,149 thousand	

Note: Refer to Tables 7 and 8 for information on investments in subsidiaries and associates.

TABLE 4

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments (Note 2)	Ending Balance	
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Carrying Amount	Gain on Disposal		Shares (In Thousands)	Amount
Yuen Yu Investment Co., Ltd.	Shares Linfiny Corporation	Investments accounted for using the equity method	Note 1	Subsidiary	-	$ -	32,340	$ 323,400	-	$ -	$ -	$ -	$ (116,866)	32,340	$ 206,534
Rich Optronics (Yangzhou) Co., Ltd.	Principal guarantee note Jubao cai fu wen ying No.2	Debt investments with no active market	-	-	-	RMB 33,200 thousand	-	RMB 257,800 thousand	-	RMB 262,202 thousand	RMB 260,000 thousand	RMB 2,202 thousand (Note 3)	-	-	RMB 31,000 thousand

Note 1: Participant in capital increase of Linfiny Corporation.

Note 2: Including share of profit or loss of subsidiaries accounted for using the equity method and exchange differences on translating foreign operations.

Note 3: Included in interest income.

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, 2017
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note)	
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Sale	$ (4,962,180)	(36)	Payment terms were based on agreements	$ -	-	$ 891,061	21	
	PVI International Corp.	Subsidiary	Sale	(2,929,151)	(21)	Payment terms were based on agreements	-	-	313,451	7	
	E Ink Corporation	Subsidiary	Purchase	3,812,117	33	Payment terms were based on agreements	-	-	(467,067)	(12)	
	SiPix Technology, Inc.	Subsidiary	Sale	(1,501,343)	(11)	Payment terms were based on agreements	-	-	350,167	8	
	Transyork Technology Yangzhou Ltd.	Subsidiary	Purchase	1,626,121	14	Payment terms were based on agreements	-	-	(2,810,857)	(69)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	427,035	4	Payment terms were based on agreements	-	-	-	-	
SiPix Technology, Inc.	E Ink Holdings Inc.	Parent company	Purchase	1,501,343	86	Payment terms were based on agreements	-	-	(350,167)	(83)	
	E Ink Corporation	Same ultimate parent company	Purchase	184,584	11	Payment terms were based on agreements	-	-	(70,242)	(17)	
Linfiny Corporation	Linfiny Japan Inc.	Subsidiary	Purchase	148,583	59	Payment terms were based on agreements	-	-	(148,583)	(56)	
Linfiny Japan Inc.	Linfiny Corporation	Parent company	Sale	(148,583)	100	Payment terms were based on agreements	-	-	148,583	100	
Prime View Communications Ltd.	E Ink Holdings Inc.	Parent company	Purchase	4,962,180	100	Payment terms were based on agreements	-	-	(891,061)	(100)	
PVI International Corp.	E Ink Holdings Inc.	Parent company	Purchase	2,929,151	100	Payment terms were based on agreements	-	-	(313,451)	(100)	
Transyork Technology Yangzhou Ltd.	E Ink Holdings Inc.	Parent company	Sale	(1,626,121)	(100)	Payment terms were based on agreements	-	-	2,810,857	100	
E Ink Corporation	E Ink Holdings Inc.	Parent company	Sale	(3,812,117)	(93)	Payment terms were based on agreements	-	-	467,067	80	
	SiPix Technology, Inc.	Same ultimate parent company	Sale	(184,584)	(5)	Payment terms were based on agreements	-	-	70,242	12	
	E Ink California, LLC	Subsidiary	Purchase	371,984	29	Payment terms were based on agreements	-	-	(272,588)	(55)	
E Ink California, LLC	E Ink Corporation	Parent company	Sale	(371,984)	(100)	Payment terms were based on agreements	-	-	272,588	100	

Note 1: The proportion of the individual company's total receivables (payables).

Note 2: Intercompany transactions eliminated upon consolidation, except NTX Electronics Yangzhou Co., Ltd.

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, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	$ 891,061	5.27	$ -	-	$ 863,164	$ -
	PVI International Corp.	Subsidiary	313,451	14.30	-	-	313,451	-
	SiPix Technology, Inc.	Subsidiary	350,167	5.58	58,235	Collected	188,497	-
	Transyork Technology Yangzhou Ltd.	Subsidiary	2,275,283	(Note 1)	558,874	Collected	1,616,288	-
	E Ink Corporation	Subsidiary	200,895	0.56	4,203	In the process of collection	-	-
	NTX Electronics Yangzhou Co., Ltd.	Associate	229,618	(Note 1)	188,153	In the process of collection	150,240	-
Tech Smart Logistics Ltd.	E Ink Holdings Inc.	Parent company	731,646	(Note 1)	731,646	In the process of collection	15,035	-
Dream Pacific International Corp.	Tech Smart Logistics Ltd.	Same ultimate parent company	262,088	(Note 1)	262,088	In the process of collection	14,901	-
PVI Global Corp.	Dream Pacific International Corp.	Subsidiary	267,840	(Note 2)	267,840	In the process of collection	11,904	-
Linfiny Japan Inc.	Linfiny Corporation	Parent company	148,583	2.00	-	-	-	-
Transyork Technology Yangzhou Ltd.	E Ink Holdings Inc.	Parent company	2,810,857	(Note 1)	522,233	Collected	1,815,534	-
E Ink Corporation	E Ink Holdings Inc.	Parent company	467,067	10.36	360,065	Collected	467,067	-
E Ink California, LLC	E Ink Corporation	Parent company	272,588	1.35	181,172	In the process of collection	59,825	-

Note 1: Other receivables from goods processed.

Note 2: Receivables from cash dividends.

Note 3: Intercompany transactions eliminated upon consolidation, except NTX Electronics Yangzhou Co., Ltd.

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Profit (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Shares (In Thousands)	%	Carrying Amount			
E Ink Holdings Inc.	PVI Global Corp.	British Virgin Islands	Investment	$ 3,090,254	$ 3,090,254	99,413	100.00	$ 9,421,361	$ 534,266	$ 534,266	
	New Field e-Paper Co., Ltd.	Taoyuan, Taiwan	Wholesale and sale of electronics parts	6,394,455	6,394,455	671,032	100.00	5,614,948	(159,455)	(159,455)	
	E Ink Corporation	Boston, Massachusetts, USA	Manufacture and sale of electronic ink	4,911,303	4,911,303	1	45.31	4,322,539	(50,662)	(152,320)	
	Yuen Yu Investment Co., Ltd.	Taipei, Taiwan	Investment	5,015,000	5,015,000	152,433	100.00	2,282,800	(97,334)	(97,334)	
	SiPix Technology, Inc.	Taoyuan, Taiwan	Manufacture and sale of electronic ink	1,405,230	1,405,230	-	100.00	1,966,524	829,102	852,821	
	Dream Universe Ltd.	Mauritius	Trading	128,710	128,710	4,050	100.00	353,281	28,142	28,142	
	Prime View Communications Ltd.	Hong Kong	Trading	18,988	18,988	3,570	100.00	26,700	586	586	
	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	3,950	(115,855)	(104)	
	Hot Tracks International Ltd.	British Virgin Islands	Trading	1,735	1,735	50	100.00	20	10	10	
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	4,384,859	(115,855)	(115,751)	
	E Ink Corporation	Boston, Massachusetts, USA	Manufacture and sale of electronic ink	1,618,500	1,618,500	-	12.88	1,228,742	(50,662)	(43,299)	
Yuen Yu Investment Co., Ltd.	Lucky Joy Holdings Ltd.	Samoa	Investment	36,117	36,117	1,098	100.00	12	37	37	
	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	-	(56,903)	(24,680)	
	Kyontsu Optronics Co., Ltd.	Taipei, Taiwan	Technology development, transfer and licensing of flat panels	18,860	18,860	1,050	25.65	-	-	-	Under liquidation
	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	323,400	-	32,340	77.00	206,534	(153,758)	(118,394)	
	YuanHan Materials Inc.	Taoyuan, Taiwan	Manufacture and sale of electronics parts	24,000	-	2,400	100.00	10,628	(13,365)	(13,372)	
SiPix Technology, Inc.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	16,800	-	1,680	4.00	10,729	(153,758)	(6,150)	
Linfiny Corporation	Linfiny Japan Inc.	Tokyo, Japan	Research, development and sale of electronic ink	11,088	-	4	100.00	15,180	2,108	2,108	
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$ 28,031 thousand	US$ 2,881 thousand	US$ 685 thousand	
	E Ink Japan Inc.	Tokyo, Japan	Development of electronic ink products	US$ 86 thousand	US$ 86 thousand	-	100.00	US$ 82 thousand	US$ (54) thousand	US$ (54) thousand	
	E Ink Systems, LLC	California, USA	Research and development of application software	US$ 337 thousand	US$ 337 thousand	-	100.00	US$ 680 thousand	US$ 119 thousand	US$ 119 thousand	
Tech Smart Logistics Ltd.	E Ink Corporation	Boston, Massachusetts, USA	Manufacture and sale of electronic ink	US$ 152,875 thousand	US$ 152,875 thousand	1	41.81	US$ 131,692 thousand	US$ (1,589) thousand	US$ (4,582) thousand	
PVI Global Corp.	PVI International Corp.	British Virgin Islands	Trading	US$ 151,300 thousand	US$ 151,300 thousand	151,300	100.00	US$ 109,069 thousand	US$ (5,048) thousand	US$ (5,048) thousand	
	Dream Pacific International Corp.	British Virgin Islands	Sale of LCD monitor products	US$ 1,000 thousand	US$ 1,000 thousand	26,000	100.00	US$ 133,112 thousand	US$ 22,533 thousand	US$ 22,533 thousand	
	Ruby Lustre Ltd.	British Virgin Islands	Investment	US$ 30,000 thousand	US$ 30,000 thousand	30,000	100.00	US$ 27,039 thousand	US$ (509) thousand	US$ (509) thousand	
	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 sale of LCD monitors	US$ 27,612 thousand	US$ 27,612 thousand	3,783	94.73	US$ 141,443 thousand	US$ 23,210 thousand	US$ 21,799 thousand	
Hydis Technologies Co., Ltd.	Hydis Taiwan Inc.	Taoyuan, Taiwan	Sale of LCD monitor products	-	-	-	100.00	KRW 48,742 thousand	KRW 437,202 thousand	KRW 437,202 thousand	Under liquidation

Note: Intercompany transactions eliminated upon consolidation, except Entte K Co., Ltd., Kyontsu Optronics Co., Ltd., North Diamond International Co., Ltd., Yuen Foong Yu Biotech Co., Ltd. and Rock Pearl International Corp.

TABLE 8

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 1)	Net Profit (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Amount as of December 31, 2017 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
Transcend Optronics (Yangzhou) Co., Ltd. (Note 6)	Assembly of LCD flat panels	$ 4,502,688 (US$ 151,300 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	$ 3,239,227 (US$ 108,845 thousand)	$ -	$ -	$ 3,239,227 (US$ 108,845 thousand)	$ (154,321) (US$ (5,071) thousand)	100.00	$ (154,321) (US$ (5,071) thousand)	$ 3,240,656 (US$ 108,893 thousand)	$ -
Rich Optronics (Yangzhou) Co., Ltd. (Note 6)	Assembly of LCD flat panels	892,800 (US$ 30,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	892,800 (US$ 30,000 thousand)	-	-	892,800 (US$ 30,000 thousand)	(15,490) (US$ (509) thousand)	100.00	(15,490) (US$ (509) thousand)	804,681 (US$ 27,039 thousand)	-
Transyork Technology Yangzhou Ltd. (Note 6)	Assembly of LCD flat panels	2,140,667 (US$ 71,931 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	38,131 (US$ 1,253 thousand)	100.00	38,131 (US$ 1,253 thousand)	1,753,906 (US$ 58,935 thousand)	-
Transyang Electronics (Yangzhou) Ltd. (Note 6)	Assembly of LCD flat panels	119,040 (US$ 4,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	119,040 (US$ 4,000 thousand)	-	-	119,040 (US$ 4,000 thousand)	(9,921) (US$ (326) thousand)	100.00	(9,921) (US$ (326) thousand)	106,898 (US$ 3,592 thousand)	-
Transmart Electronics (Yangzhou) Ltd. (Note 6)	Research, development and sale of LCD monitors	295,100 (US$ 9,916 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	196,714 (US$ 6,610 thousand)	-	-	196,714 (US$ 6,610 thousand)	1,126 (US$ 37 thousand)	100.00	1,126 (US$ 37 thousand)	25,415 (US$ 854 thousand)	-
Yangzhou Huaxia Integrated O/E System Co., Ltd. (Note 6)	Manufacture and sale of LED products	553,536 (US$ 18,600 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	89,280 (US$ 3,000 thousand)	-	-	89,280 (US$ 3,000 thousand)	(48,935) (US$ (1,608) thousand)	100.00	(45,401) (US$ (1,492) thousand)	(857,445) (US$ (28,812) thousand)	-
Ultraview Technology Ltd. (under liquidation)	Assembly of automobile LCD monitors	286,291 (US$ 9,620 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	32,676 (US$ 1,098 thousand)	-	-	32,676 (US$ 1,098 thousand)	-	(Note 4)	-	-	-
Dihao Electronics (Yangzhou) Co., Ltd.	Assembly of LCD backlight board display modules	148,800 (US$ 5,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	52,080 (US$ 1,750 thousand)	-	-	52,080 (US$ 1,750 thousand)	-	35.00	-	-	-

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 1)	Net Profit (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Amount as of December 31, 2017 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
Hydis Shenzhen Ltd. (under liquidation) (Note 6)	Sale of LCD monitor products	$ 2,024 (US$ 68 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	$ -	$ -	$ -	$ -	$ 822 (KRW 30,294 thousand)	94.73	$ 779 (KRW 28,698 thousand)	$ (922) (KRW (32,801) thousand)	$ -
NTX Electronics Yangzhou Co., Ltd.	Manufacture and sale of flat panels	182,180 (RMB 40,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	2,685 (RMB 596 thousand)	49.00	1,247 (RMB 292 thousand)	88,752 (RMB 19,487 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 4,621,817 (US$ 155,303 thousand)	$ 8,035,527 (US$ 270,011 thousand)	$ 17,529,179

Note 1: The amounts are translated at the exchange rate on December 31, 2017, US$1=NT$29.76, RMB1=NT$4.5545, KRW1=NT$0.02812.

Note 2: The amounts are translated at the average exchange rate of the year ended December 31, 2017, US$1=NT$30.432, RMB1=NT$4.50531, KRW1=NT$0.02713.

Note 3: The carrying amount and related investment income of the equity investment were calculated based on audited financial statements of the corresponding year.

Note 4: The investee company was ruled bankrupt by the court in June 2014 and was assigned a bankruptcy manager. The Group eliminated its investment amount and reclassified it as financial assets measured at cost.

Note 5: Information on the prices, terms of payment and unrealized profit or loss of significant transactions of investee companies in mainland China are provided in Tables 1, 5 and 6.

Note 6: Except NTX Electronics Yangzhou Co., Ltd., intercompany transactions have been eliminated upon consolidation.

(Concluded)

TABLE 9

E INK HOLDINGS INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	Trade receivables from related parties	$ 891,061	The prices and payment terms were based on agreements	2.5
		Prime View Communications Ltd.	Subsidiary	Sales	4,962,180	The prices and payment terms were based on agreements	32.6
		PVI International Corp.	Subsidiary	Sales	2,929,151	The prices and payment terms were based on agreements	19.3
		Tech Smart Logistics Ltd.	Subsidiary	Notes and accounts payable to related parties	731,646	The prices and payment terms were based on agreements	2.0
		E Ink Corporation	Subsidiary	Cost of goods sold	3,812,117	The prices and payment terms were based on agreements	25.1
		SiPix Technology, Inc.	Subsidiary	Sales	1,501,343	The prices and payment terms were based on agreements	9.9
		Transyork Technology Yangzhou Ltd.	Subsidiary	Trade receivables from related parties	2,275,283	The prices and payment terms were based on agreements	6.3
		Transyork Technology Yangzhou Ltd.	Subsidiary	Notes and accounts payable to related parties	2,810,857	The prices and payment terms were based on agreements	7.8
		Transyork Technology Yangzhou Ltd.	Subsidiary	Cost of goods sold	1,626,121	The prices and payment terms were based on agreements	10.7
1	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Subsidiary	Other receivables from related parties	939,184	The prices and payment terms were based on agreements	2.6

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

Note 2: This table includes transactions for amounts over $500 million.