E Ink Holdings Inc.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
E Ink Holdings Inc.

Opinion

We have audited the accompanying financial statements of E Ink Holdings Inc. (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

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

Impairment of Goodwill Included in the Investments in Subsidiaries Accounted for Using Equity Method

As disclosed in Notes 4 and 10 as well as Table 7 to the financial statements, investments accounted for using equity method include acquiring subsidiaries to obtain electronic ink research and development and manufacturing centers, as well as to integrate patents of ePaper techniques. Excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities at the date of acquisition was recorded as goodwill, which is material to the overall financial statements, therefore, management annually accesses the impairment of the excess of the cost in accordance with the International Accounting Standard 36 "Impairment of Assets".

Management assesses the excess of the cost for any impairment by comparing the carrying amount with the calculated recoverable amount as assessed based on the entire 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 excess of the cost 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, including basis of assumptions and source of the data used in evaluation.

2. Evaluated whether management has taken into account the Company'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 9 to the financial statements, inventories of the Company 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2018

Notice to Readers

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

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

E INK HOLDINGS INC.

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)	$ 639,359	2	$ 873,221	3
Accounts receivable (Notes 4 and 8)	256,077	1	491,967	2
Accounts receivable from related parties (Notes 4 and 22)	4,262,113	12	3,306,359	10
Other receivables from related parties (Note 22)	29,526	-	82,533	-
Inventories (Notes 4 and 9)	1,913,792	6	916,313	3
Prepayments (Note 22)	101,863	-	94,356	-
Other current assets (Notes 4, 16 and 23)	56,587	-	46,926	-
Total current assets	7,259,317	21	5,811,675	18
NON-CURRENT ASSETS				
Available-for-sale financial assets (Note 4)	1,077,878	3	700,166	2
Financial assets measured at cost (Notes 4 and 7)	-	-	22,305	-
Investments accounted for using the equity method (Notes 4 and 10)	23,992,123	70	24,288,540	74
Property, plant and equipment (Notes 4 and 11)	1,435,385	4	1,511,731	5
Other intangible assets (Note 4)	209,607	1	198,165	-
Deferred tax assets (Notes 4 and 16)	204,676	1	227,774	1
Other non-current assets	53,218	-	52,252	-
Total non-current assets	26,972,887	79	27,000,933	82
TOTAL	$ 34,232,204	100	$ 32,812,608	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 12)	$ 228,800	1	$ -	-
Notes and accounts payable	1,810,318	5	985,728	3
Accounts payable to related parties (Note 22)	4,074,739	12	4,051,329	12
Other payables (Notes 19 and 22)	619,281	2	491,509	2
Current tax liabilities (Notes 4 and 16)	123,943	-	29,498	-
Receipts in advance (Notes 4 and 22)	301,798	1	75,465	-
Other current liabilities	35,776	-	32,686	-
Total current liabilities	7,194,655	21	5,666,215	17
NON-CURRENT LIABILITIES				
Net defined benefit liabilities (Notes 4 and 13)	55,892	-	51,543	-
Other non-current liabilities (Notes 4, 16 and 22)	49,159	-	4,835	-
Total non-current liabilities	105,051	-	56,378	-
Total liabilities	7,299,706	21	5,722,593	17
EQUITY (Notes 13, 14 and 18)				
Share capital	11,404,677	33	11,404,677	35
Capital surplus	10,108,119	30	10,071,683	31
Retained earnings				
Legal reserve	1,304,481	4	1,113,687	4
Special reserve	70,678	-	70,678	-
Unappropriated earnings	4,246,203	13	4,301,134	13
Total retained earnings	5,621,362	17	5,485,499	17
Other equity	106,609	-	488,620	1
Treasury shares	(308,269)	(1)	(360,464)	(1)
Total equity	26,932,498	79	27,090,015	83
TOTAL	$ 34,232,204	100	$ 32,812,608	100

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

E INK HOLDINGS INC.

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 22)	$ 13,905,359	100	$ 13,112,855	100
OPERATING COSTS (Notes 9, 15 and 22)	11,256,560	81	11,372,610	87
GROSS PROFIT	2,648,799	19	1,740,245	13
UNREALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES	(2,314)	-	-	-
REALIZED GROSS PROFIT	2,646,485	19	1,740,245	13
OPERATING EXPENSES (Notes 15 and 22)				
Selling and marketing expenses	264,124	2	184,341	1
General and administrative expenses	759,309	5	789,521	6
Research and development expenses	688,278	5	635,614	5
Total operating expenses	1,711,711	12	1,609,476	12
INCOME FROM OPERATIONS	934,774	7	130,769	1
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	6,499	-	12,808	-
Royalty income (Notes 4 and 22)	201,774	2	12,798	-
Dividend income (Note 4)	32,151	-	26,350	-
Other income (Notes 4 and 8)	45,586	-	24,905	-
Interest expense (Note 11)	(9,984)	-	(16,340)	-
Share of profit of subsidiaries	1,006,612	7	1,914,510	15
Net gain on disposal of property, plant and equipment	42,842	-	98	-
Net loss on foreign currency exchange (Note 25)	(28,301)	-	(15,644)	-
Impairment loss (Notes 4 and 11)	-	-	(128,699)	(1)
Total non-operating income and expenses	1,297,179	9	1,830,786	14
INCOME BEFORE INCOME TAX	2,231,953	16	1,961,555	15
INCOME TAX EXPENSE (Notes 4 and 16)	(153,888)	(1)	(53,616)	-
NET INCOME FOR THE YEAR	2,078,065	15	1,907,939	15

(Continued)

E INK HOLDINGS INC.

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 13)	$ (6,853)	-	$ (7,956)	-
Share of the other comprehensive loss of subsidiaries accounted for using the equity method	(211)	-	(2,682)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 16)	1,165	-	1,353	-
	(5,899)	-	(9,285)	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	97,714	1	41,419	-
Share of the other comprehensive loss of subsidiaries accounted for using the equity method	(479,725)	(4)	(633,490)	(5)
	(382,011)	(3)	(592,071)	(5)
Other comprehensive loss for the year, net of income tax	(387,910)	(3)	(601,356)	(5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,690,155	12	$ 1,306,583	10
EARNINGS PER SHARE (Note 17)				
Basic	$1.85		$1.69	
Diluted	$1.85		$1.69	

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

E INK HOLDINGS INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	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 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
Appropriation of 2015 earnings										
Legal reserve	-	-	-	53,933	-	(53,933)	-	-	-	-
Cash dividends	-	-	-	-	-	(536,020)	-	-	-	(536,020)
Changes in equity from investments in associates accounted for using the equity method	-	-	105	-	-	-	-	-	-	105
Net income for the year ended December 31, 2016	-	-	-	-	-	1,907,939	-	-	-	1,907,939
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(9,285)	(704,770)	112,699	-	(601,356)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	1,898,654	(704,770)	112,699	-	1,306,583
Acquisition of treasury shares - 20,000 thousand shares	-	-	-	-	-	-	-	-	(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
Appropriation of 2016 earnings										
Legal reserve	-	-	-	190,794	-	(190,794)	-	-	-	-
Cash dividends	-	-	-	-	-	(1,680,702)	-	-	-	(1,680,702)
Net income for the year ended December 31, 2017	-	-	-	-	-	2,078,065	-	-	-	2,078,065
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(5,899)	(504,327)	122,316	-	(387,910)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	2,072,166	(504,327)	122,316	-	1,690,155
Difference between actual consideration paid and carrying amount of subsidiaries acquired	-	-	(2,223)	-	-	(255,601)	-	-	-	(257,824)
Share-based payments	-	-	38,825	-	-	-	-	-	-	38,825
Treasury shares transferred to employees - 2,896 thousand shares	-	-	(166)	-	-	-	-	-	52,195	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

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

E INK HOLDINGS INC.

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	$ 2,231,953	$ 1,961,555
Adjustments for:		
Depreciation expenses	240,562	267,257
Amortization expenses	25,735	29,888
Reversal of impairment loss on accounts receivable	-	(10,600)
Interest expenses	9,984	16,340
Interest income	(6,499)	(12,808)
Dividend income	(32,151)	(26,350)
Share-based payments	20,257	-
Share of profit of subsidiaries	(1,006,612)	(1,914,510)
Net gain on disposal of property, plant and equipment	(42,842)	(98)
Net gain on disposal of investments	(2,775)	-
Impairment loss recognized on non-financial assets	-	128,699
Reversal of write-down of inventories	(13,244)	(150,398)
Unrealized loss on transactions with subsidiaries	2,314	-
Net unrealized gain on foreign currency exchange	(53,660)	(52,401)
Royalty income	(201,774)	(12,798)
Changes in operating assets and liabilities		
Accounts receivable	227,144	(272,800)
Accounts receivable from related parties	(1,097,866)	(269,094)
Inventories	(984,235)	84,904
Prepayments	(13,335)	142,319
Other current assets	(10,936)	4,441
Notes and accounts payable	852,434	204,332
Accounts payable to related parties	190,578	655,865
Other payables	94,104	(38,007)
Receipts in advance	458,137	76,374
Other current liabilities	8,918	805
Net defined benefit liabilities	(2,504)	19,141
Cash generated from operations	893,687	832,056
Income tax paid	(21,344)	(10,031)
Net cash generated from operating activities	872,343	822,025
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(279,998)	-
Proceeds from repayments of debt investments with no active market	-	600,000
Proceeds from disposal of financial assets measured at cost	25,080	-
Proceeds from disposal of investment accounted for using the equity method	-	1,251,070
Payments for property, plant and equipment	(131,298)	(135,027)
Proceeds from disposal of property, plant and equipment	48,784	114
Decrease (increase) in other receivables from related parties	52,946	(52,896)
Payments for other intangible assets	(34,290)	(93,942)

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E INK HOLDINGS INC.

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

	2017	2016
Decrease (increase) in other non-current assets	$ (977)	$ 231
Interest received	6,531	18,313
Dividends received	613,674	376,936
Net cash generated from investing activities	300,452	1,964,799
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	230,100	(100,000)
Repayments of long-term borrowings	-	(1,624,771)
Increase (decrease) in other non-current liabilities	1,688	(1)
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	(9,772)	(16,800)
Net cash used in financing activities	(1,406,657)	(2,638,056)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(233,862)	148,768
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	873,221	724,453
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 639,359	$ 873,221

The accompanying notes are an integral part of the 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 financial statements of the Company are presented in New Taiwan dollars, the functional currency of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The 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 Company's accounting policies:

   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 Company, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company, 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 Company has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Company'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 and impairment of goodwill are enhanced. Refer to Note 22 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 Company'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 Company 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 Company 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, 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.

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 Company 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 Company 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 Company 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 Company 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 Company 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 at fair value through other comprehensive income - non-current	$ -	$ 1,077,878	$ 1,077,878
Available-for-sale financial assets - non-current	1,077,878	(1,077,878)	-
Investments accounted for using the equity method	23,992,123	69,274	24,061,397
	$ 25,070,001	$ 69,274	$ 25,139,275
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 Company 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 Company satisfies a performance obligation.

IFRS 15 and the related amendments require that when the nature of the Company’s promise in granting a license is to provide a right to access the Company’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 Company’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 Company 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 Company'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.

The Company 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 Company 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			
Investments accounted for using the equity method	$ 23,992,123	$ 388,923	$ 24,381,046
Liabilities			
Contract liabilities - current	$ -	$ 140,607	$ 140,607
Receipts in advance	301,798	(140,607)	161,191
Contract liabilities - non-current	-	30,030	30,030
Other non-current liabilities	49,159	(30,030)	19,129
	$ 350,957	$ -	$ 350,957
Equity			
Retained earnings	$ 5,621,362	$ 388,923	$ 6,010,285

Except for the above impact, as of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will have no material impact on the Company's 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 Company 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 Company'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 Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within financing activities.

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

When IFRS 16 becomes effective, the Company 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 financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

The fair value measurements, 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.

When preparing the financial statements, the Company uses the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in its financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for by using the equity method, the share of profit or loss of subsidiaries and the share of other comprehensive income of subsidiaries in these financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities for which the Company 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. Foreign currencies

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

e. 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.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in a subsidiary are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of the equity of its subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investments and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of an acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the acquisition is recognized immediately in profit or loss.

The Company assesses its investments for any impairment by comparing the respective carrying amounts with the estimated recoverable amounts as assessed based on the entire financial statements of its investees. Impairment loss is recognized when the carrying amount of any such an investment exceeds the recoverable amount. If the recoverable amount of an investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Any profit or loss resulting from downstream transactions is eliminated in full only in the Company's parent company only financial statements. Any profit or loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the Company's parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

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

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.

h. 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) 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.

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets 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 Company 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.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company 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: Available-for-sale financial assets and loans and receivables.

i. 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 of the Company are investments in domestic listed shares and 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 Company'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.

ii. Loans and receivables

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

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of 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 Company'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 Company 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

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.

k. 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.

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 Company of the expenditures required to settle the Company's obligations.

l. 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company 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 Company; and

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

The Company 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 Company 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 other non-current liabilities, 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 Company 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 Company 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.

m. 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.

n. 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.

o. 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 Company's defined benefit plans.

p. 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 Company'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 Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate 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.

q. 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 Company 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 Company 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 Company'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 investments accounted for using the equity method

The Company immediately recognizes impairment loss on its investments accounted for using the equity method when there is any indication that an investment may be impaired and the carrying amount may not be recoverable. The Company's management evaluates such impairment based on the estimated future cash flows expected to be generated from the investments accounted for using the equity method. The Company also takes into consideration the market conditions and industry developments to evaluate the appropriateness of the relevant assumptions.

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	$ 171	$ 165
Checking accounts and demand deposits	639,188	424,382
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	64,500
Repurchase agreements collateralized by bonds	-	384,174
	$ 639,359	$ 873,221

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

	December 31	
	2017	2016
Demand deposits	0.07-0.65%	0.07-0.5%
Time deposits	-	1.4%
Repurchase agreements collateralized by bonds	-	0.45-1.25%

7. FINANCIAL ASSETS MEASURED AT COST

Financial assets measured at cost of the Company are investments in domestic and overseas unlisted shares and emerging shares, and were classified as available-for-sale financial assets according to the measurement categories.

Management believed that the above unlisted equity investments held by the Company 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.

8. ACCOUNTS RECEIVABLE

	December 31	
	2017	2016
Accounts receivable	$ 256,077	$ 491,967
Less: Allowance for impairment loss	-	-
	$ 256,077	$ 491,967

In determining the recoverability of accounts receivable, the Company 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 Company'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 Company 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 Company 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 Company 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	$ 252,645	$ 485,353
Past due in 1-90 days	1,667	6,614
Past due more than 90 days	1,765	-
	$ 256,077	$ 491,967

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	$ 1,667	$ 6,614
More than 90 days	1,765	-
	$ 3,432	$ 6,614

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

There was no movement of the allowance for doubtful accounts receivable for the year ended December 31, 2017. The movement of the allowance for doubtful accounts receivable for the year ended December 31, 2016 was as follows:

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2016	$ -	$ 10,600	$ 10,600
Impairment losses reversed (included in other income)	-	(10,600)	(10,600)
Balance at December 31, 2016	$ -	$ -	$ -

9. INVENTORIES

	December 31	
	2017	**2016**
Finished goods	$ 877,724	$ 347,284
Semi-finished goods	204,918	124,799
Work in progress	4,940	28,704
Raw materials	826,210	415,526
	$ 1,913,792	$ 916,313

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 $13,244 thousand and $150,398 thousand, respectively. Previous write-downs were reversed as a result of the disposals of obsolete inventories.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	**2016**
Investments in subsidiaries	$ 23,992,123	$ 24,288,540
Unlisted companies		
PVI Global Corp.	$ 9,421,361	$ 9,137,356
New Field e-Paper Co., Ltd.	5,614,948	6,164,669
E Ink Corporation	4,322,539	4,559,166
Yuen Yu Investment Co., Ltd.	2,282,800	2,372,319
SiPix Technology, Inc.	1,966,524	1,675,750
Dream Universe Ltd.	353,281	346,341
Prime View Communications Ltd.	26,700	28,545
Tech Smart Logistics Ltd.	3,950	4,384
Hot Tracks International Ltd.	20	10
	$ 23,992,123	$ 24,288,540

	Proportion of Ownership and Voting Rights	
	December 31	
	2017	**2016**
PVI Global Corp.	100.00%	100.00%
New Field e-Paper Co., Ltd.	100.00%	100.00%
E Ink Corporation	45.31%	45.31%
Yuen Yu Investment Co., Ltd.	100.00%	100.00%
SiPix Technology, Inc.	100.00%	100.00%
Dream Universe Ltd.	100.00%	100.00%
Prime View Communications Ltd.	100.00%	100.00%
Tech Smart Logistics Ltd.	0.09%	0.09%
Hot Tracks International Ltd.	100.00%	100.00%

Although each of the Company’s equity interests in E Ink Corporation and Tech Smart Logistics Ltd. did not exceed 50%, respectively, the combined equity interests of the Company and its subsidiaries in the above companies were 100%. Therefore, E Ink Corporation and Tech Smart Logistics Ltd. are subsidiaries of the Company.

These subsidiaries are included in the consolidated financial statements of the Company as of December 31, 2017 and 2016.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments as of December 31, 2017 and 2016 are based on the subsidiaries’ audited financial statements for the same year.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost					
Balance at January 1, 2016	$ 2,506,732	$ 6,370,819	$ 1,368,664	$ 3,434	$ 10,249,649
Additions	160	8,923	40,514	87,446	137,043
Disposals	(318,714)	(34,256)	(221,343)	-	(574,313)
Reclassifications	790	7,255	64,022	(72,067)	-
Balance at December 31, 2016	$ 2,188,968	$ 6,352,741	$ 1,251,857	$ 18,813	$ 9,812,379
Accumulated depreciation and impairment					
Balance at January 1, 2016	$ 1,596,891	$ 5,886,133	$ 995,965	$ -	$ 8,478,989
Depreciation expenses	41,487	114,784	110,986	-	267,257
Impairment losses	69,045	29,542	30,112	-	128,699
Disposals	(318,714)	(34,256)	(221,327)	-	(574,297)
Balance at December 31, 2016	$ 1,388,709	$ 5,996,203	$ 915,736	$ -	$ 8,300,648
Carrying amount at December 31, 2016	$ 800,259	$ 356,538	$ 336,121	$ 18,813	$ 1,511,731
Cost					
Balance at January 1, 2017	$ 2,188,968	$ 6,352,741	$ 1,251,857	$ 18,813	$ 9,812,379
Additions	-	17,845	42,994	113,195	174,034
Disposals	(218,374)	(1,159,592)	(88,299)	-	(1,466,265)
Reclassifications	-	31,586	65,096	(100,558)	(3,876)
Balance at December 31, 2017	$ 1,970,594	$ 5,242,580	$ 1,271,648	$ 31,450	$ 8,516,272
Accumulated depreciation and impairment					
Balance at January 1, 2017	$ 1,388,709	$ 5,996,203	$ 915,736	$ -	$ 8,300,648
Depreciation expenses	37,965	98,923	103,674	-	240,562
Disposals	(218,374)	(1,153,650)	(88,299)	-	(1,460,323)
Balance at December 31, 2017	$ 1,208,300	$ 4,941,476	$ 931,111	$ -	$ 7,080,887
Carrying amount at December 31, 2017	$ 762,294	$ 301,104	$ 340,537	$ 31,450	$ 1,435,385

The Company performed an assessment of the recoverable amount of property, plant and equipment and recognized an impairment loss of $128,699 thousand for the year ended December 31, 2016.

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	56 years
Clean rooms and plumbing construction	25-36 years
Others	2-16 years
Machinery	1-9 years
Other equipment	1-26 years

12. SHORT-TERM BORROWINGS

	December 31	
	2017	2016
Bank credit borrowings	$ 228,800	$ -
Foreign currency included (in thousands of USD)	$ 5,000	$ -
Interest rate intervals	0.98-1.99%	-

13. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

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 amounts included in the balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	$ 113,743	$ 104,553
Fair value of plan assets	(57,851)	(53,010)
Net defined benefit liabilities	$ 55,892	$ 51,543

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	$ 128,530	$ (104,084)	$ 24,446
Service costs			
Current service costs	1,127	-	1,127
Past service costs	22,756	-	22,756
Net interest expense (income)	2,089	(1,734)	355
Recognized in profit or loss	25,972	(1,734)	24,238
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,048	1,048
Actuarial loss - changes in demographic assumptions	2,956	-	2,956
Actuarial loss - changes in financial assumptions	3,348	-	3,348
Actuarial loss - experience adjustments	604	-	604
Recognized in other comprehensive income	6,908	1,048	7,956
Contributions from the employer	-	(5,097)	(5,097)
Benefits paid	(56,857)	56,857	-
Balance at December 31, 2016	104,553	(53,010)	51,543
Service costs			
Current service costs	977	-	977
Net interest expense (income)	1,438	(762)	676
Recognized in profit or loss	2,415	(762)	1,653
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	78	78
Actuarial loss - changes in demographic assumptions	4,256	-	4,256
Actuarial gain - experience adjustments	2,519	-	2,519
Recognized in other comprehensive income	6,775	78	6,853
Contributions from the employer	-	(4,157)	(4,157)
Balance at December 31, 2017	$ 113,743	$ (57,851)	$ 55,892

Through the defined benefit plan under the Labor Standards Law, the Company is exposed to the following risks:

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

2) Interest risk: A decrease in the government bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's 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%	1.4%
Expected rates of salary increase	2.8%	2.8%

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

	December 31	
	2017	2016
Discount rates		
0.25% increase	$ (3,567)	$ (3,422)
0.25% decrease	$ 3,723	$ 3,574
Expected rates of salary increase		
0.25% increase	$ 3,604	$ 3,460
0.25% decrease	$ (3,473)	$ (3,331)

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 the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	2016
The expected contributions to the plan for the next year	$ 4,134	$ 4,787
The average duration of the defined benefit obligation	13 years	13 years

14. 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)		
Employee share options expired	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

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

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit 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 amendment, refer to Note 15.

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, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 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
Share of exchange differences of subsidiaries accounted for using the equity method	(504,327)	(704,770)
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	97,714	41,419
Share of unrealized gain on available-for-sale financial assets of subsidiaries accounted for using the equity method	24,602	71,280
Balance at December 31	$ 349,232	$ 226,916

f. Treasury shares

	For the Year Ended December 31	
	2017	2016
Number of shares at January 1 (in thousands)	20,000	-
Increase during the year (in thousands)	-	20,000
Number of shares transferred to employees during the year (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 rights to dividends and to vote.

15. DEPRECIATION AND AMORTIZATION AND EMPLOYEE BENEFITS EXPENSE

a. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 240,562	$ 267,257
Intangible assets	25,723	19,471
Other non-current assets	12	10,417
	$ 266,297	$ 297,145
An analysis of depreciation by function		
Operating costs	$ 146,445	$ 175,880
Operating expenses	94,117	91,377
	$ 240,562	$ 267,257
An analysis of amortization by function		
Operating expenses	$ 25,735	$ 29,888

b. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Retirement benefit plans (Note 13)		
Defined contribution plan	$ 37,946	$ 39,977
Defined benefit plan	1,653	24,238
	39,599	64,215
Share-based payments		
Equity-settled	20,257	-
Other employee benefits	1,019,507	1,082,205
Total employee benefits expense	$ 1,079,363	$ 1,146,420
An analysis of employee benefits expense by function		
Operating costs	$ 163,031	$ 276,799
Operating expenses	916,332	869,621
	$ 1,079,363	$ 1,146,420

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 financial statements are 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 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 in 2018 and 2017 and the appropriation of earnings and the employees' compensation and remuneration of directors resolved in the shareholders' meetings in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

16. INCOME TAX

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

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 143,278	$ 27,579
Adjustments for prior years	(26,259)	4,721
	117,019	32,300
Deferred tax		
In respect of the current year	36,869	21,316
Income tax expense recognized in profit or loss	$ 153,888	$ 53,616

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

	For the Year Ended December 31	
	2017	2016
Income before income tax	$ 2,231,953	$ 1,961,555
Income tax expense at the statutory rate	$ 379,432	$ 333,464
Nondeductible expenses in determining taxable income	4,137	4,478
Tax-exempt income	(177,187)	(4,480)
Unrecognized loss carryforwards and deductible temporary differences	(26,235)	(284,567)
Adjustments for prior years	(26,259)	4,721
Income tax expense recognized in profit or loss	$ 153,888	$ 53,616

The applicable tax rate used above for the Company is 17%.

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%. 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 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 (included in other current assets)		
Tax refund receivable	$ 1,929	$ 3,159
Current tax liabilities		
Income tax payable	$ 123,943	$ 29,498

c. Deferred income tax assets and liabilities

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

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Comprehensive Income	Closing Balance
Deferred income tax assets				
Temporary differences				
Inventories	$ 183,551	$ (56,865)	$ -	$ 126,686
Property, plant and equipment	9,988	16,576	-	26,564
Deferred revenue	4,247	23,459	-	27,706
Defined benefit plans	10,248	-	1,165	11,413
Others	13,333	(1,026)	-	12,307
	221,367	(17,856)	1,165	204,676
Loss carryforwards	6,407	(6,407)	-	-
	$ 227,774	$ (24,263)	$ 1,165	$ 204,676
Deferred income tax liabilities				
Temporary differences				
Other	$ 4,783	$ 12,606	$ -	$ 17,389

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred income tax assets				
Temporary differences				
Inventories	$ 189,323	$ (5,772)	$ -	$ 183,551
Property, plant and equipment	10,890	(902)	-	9,988
Defined benefit plans	8,895	-	1,353	10,248
Others	19,105	(1,525)	-	17,580
	228,213	(8,199)	1,353	221,367
Loss carryforwards	14,741	(8,334)	-	6,407
	$ 242,954	$ (16,533)	$ 1,353	$ 227,774
Deferred income tax liabilities				
Temporary differences				
Other	$ -	$ 4,783	$ -	$ 4,783

d. Aggregate temporary differences associated with investments for which deferred income 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 income tax liabilities have been recognized were $6,466,056 thousand and $6,161,086 thousand, respectively.

e. Integrated income tax information

	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 2018 is expected.

f. Income tax assessments

The income tax returns of the Company through 2015 have been assessed by the tax authorities.

17. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	**2016**
Basic earnings per share	$ 1.85	$ 1.69
Diluted earnings per share	$ 1.85	$ 1.69

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

	For the Year Ended December 31	
	2017	2016
Net income for the year	$ 2,078,065	$ 1,907,939
Number of shares (in thousands)		
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
Employee 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 Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company 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 is 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 employee share options 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.

18. SHARE-BASED PAYMENT ARRANGEMENTS

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 capital surplus, 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 shares transfers to employees as of December 31, 2017 is as follows:

(In Thousand Shares)

Grant Date	Transferable Units	Transferred Units for the Year	Accumulated Transferred Units	Expired Units	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:

(In Thousand Shares)

Grant Date	Exercisable Units	Exercised Units for the Year	Accumulated Exercised Units	Expired Units	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 $20,257 thousand for the year ended December 31, 2017. The inputs to the models were as follows:

	March 2017	July 2010
Expected 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%

19. NON-CASH TRANSACTIONS

The Company entered into the following non-cash investing activities which were not reflected in the statements of cash flows:

	For the Year Ended December 31	
	2017	2016
Acquisitions of property, plant and equipment		
Increase in property, plant and equipment	$ 174,034	$ 137,043
Increase in payables for construction and equipment (included in other payables)	(42,736)	(2,016)
Net cash used	$ 131,298	$ 135,027

20. CAPITAL MANAGEMENT

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

The Company'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 Company 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.

21. FINANCIAL INSTRUMENTS

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

The 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 Company 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

Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed shares	$ 1,077,878	$ -	$ -	$ 1,077,878

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed shares	$ 700,166	$ -	$ -	$ 700,166

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

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Loans and receivables (Note 1)	$ 5,187,075	$ 4,754,080
Available-for-sale financial assets (Note 2)	1,077,878	722,471
Financial liabilities		
Financial liabilities measured at amortized cost (Note 3)	6,733,137	5,528,566

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, accounts receivable (related parties included) and other receivables from related parties.

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

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and accounts payable (related parties included) and other payables.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables and borrowings. The Company's Corporate Treasury function provides services to the business and monitors and manages the financial risks relating to the operations of the Company 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 Company'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 Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign-currency-denominated sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign-currency-denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 25.

Sensitivity analysis

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

The following details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (NTD) 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) against the U.S. dollar (USD), net profit after tax for the years ended December 31, 2017 and 2016 would increase by $8,786 thousand and $6,282 thousand, respectively. For a 1% weakening of the New Taiwan dollar (NTD) against the U.S. dollar (USD), there would be an equal and opposite impact on pre-tax profit and the balances would be negative.

b) Interest rate risk

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

	December 31	
	2017	**2016**
Cash flow interest rate risk		
Financial assets	$ 639,188	$ 424,382

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. 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.

If interest rates had been 50 basis points higher, the Company's post-tax profit for the years ended December 31, 2017 and 2016 would be $2,653 thousand and $1,761 thousand, respectively, which would be attributable to the Company's exposure to interest rates on its financial assets. If interest rates had been 50 basis point lower, there would be an equal and opposite impact on post-tax profit, and the balances would be negative.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Company 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 $53,894 thousand and $35,008 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 Company. As of the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company, 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 Company.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company transacted with a large number of unrelated customers, and thus, no concentration of credit risk was observed.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Company had available unutilized short-term bank loans amounting to $2,700,000 thousand and $2,648,500 thousand, respectively.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

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	$ -	$ -	$ -	$ -

22. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in other notes, details of transactions between the Company and other related parties are disclosed below.

a. Names and categories of related parties

Name	Related-party Categories
SiPix Technology, Inc.	Subsidiary
New Field e-Paper Co., Ltd.	Subsidiary
YuanHan Materials Inc.	Subsidiary
Linfiny Corporation	Subsidiary
Rich Optronics (Yangzhou) Co., Ltd.	Subsidiary
Transyork Technology Yangzhou Ltd.	Subsidiary
Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary
Transmart Electronics (Yangzhou) Ltd.	Subsidiary
PVI International Corp.	Subsidiary
PVI Global Corp.	Subsidiary
Prime View Communications Ltd.	Subsidiary
Hydis Taiwan Inc.	Subsidiary
Hot Tracks International Ltd.	Subsidiary
E Ink Corporation	Subsidiary
E Ink California, LLC	Subsidiary
E Ink Japan Inc.	Subsidiary
Dream Pacific International Corp.	Subsidiary
Tech Smart Logistics Ltd.	Subsidiary
NTX Electronics Yangzhou Co., Ltd.	Associate
Yuen Foong Yu Biotech Co., Ltd.	Associate
YFY Inc.	Investor with significant influence over the Company
YFY Jupiter Ltd.	Subsidiary of investor with significant influence over the Company
LiVEBRiCKS Inc.	Subsidiary of investor with significant influence over the Company
YFY Holding Management Co., Ltd.	Subsidiary of investor with significant influence over the Company
Eihoyo Shoji Co., Ltd.	Subsidiary of investor with significant influence over the Company

(Continued)

Name	Related-party Categories
Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Company
YFY Packaging Inc.	Subsidiary of investor with significant influence over the Company
Yuen Foong Shop Co., Ltd.	Subsidiary of investor with significant influence over the Company
Chung Hwa Pulp Corporation	Subsidiary of investor with significant influence over the Company
China Color Printing Co., Ltd.	Subsidiary of investor with significant influence over the Company
Johnson Lee	Key management personnel
TGKW Management Limited	Substantive related party
Hsin Yi Enterprise Co., Ltd.	Substantive related party
Shen's Art Print Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
SinoPac Securities Corp.	Substantive related party

(Concluded)

b. Sales of goods

Related Party Categories/Names	For the Year Ended December 31 2017	2016
Subsidiaries		
Prime View Communications Ltd.	$ 4,962,180	$ 5,939,451
PVI International Corp.	2,929,151	1,748,720
SiPix Technology, Inc.	1,501,343	1,501,091
Others	75,748	128,670
	9,468,422	9,317,932
Investor and its subsidiaries with significant influence over the Company	526	77,360
Associates	-	28
	$ 9,468,948	$ 9,395,320

c. Purchases of goods

Related Party Categories/Names	For the Year Ended December 31 2017	2016
Subsidiaries		
E Ink Corporation	$ 3,812,117	$ 2,731,897
Transyork Technology Yangzhou Ltd.	1,626,121	1,245,443
Others	99,129	635,283
	5,537,367	4,612,623
Associates	427,035	304,201
Investor and its subsidiaries with significant influence over the Company	24	12,322
Substantive related parties	16	-
	$ 5,964,442	$ 4,929,146

d. Receivables from related parties

Line Items	Related Party Categories/Names	December 31 2017	December 31 2016
Trade receivables	Subsidiaries		
	Transyork Technology Yangzhou Ltd.	$ 2,275,283	$ 1,801,677
	Prime View Communications Ltd.	891,061	993,244
	Others	865,629	474,450
		4,031,973	3,269,371
	Associates	229,618	26,919
	Investor and its subsidiaries with significant influence over the Company	522	10,069
		$ 4,262,113	$ 3,306,359
Other receivables	Subsidiaries		
	E Ink Corporation	$ 17,980	$ 81,200
	Linfiny Corporation	10,679	-
	Others	310	663
		28,969	81,863
	Investor and its subsidiaries with significant influence over the Company	557	670
		$ 29,526	$ 82,533

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

e. Payables to related parties

Line Items	Related Party Categories/Names	December 31 2017	December 31 2016
Trade payables	Subsidiaries		
	Transyork Technology Yangzhou Ltd.	$ 2,810,857	$ 2,231,558
	Tech Smart Logistics Ltd.	731,646	907,279
	E Ink Corporation	467,067	266,868
	Transcend Optronics (Yangzhou) Co., Ltd.	23,904	644,379
	Others	40,528	914
		4,074,002	4,050,998
	Investor and its subsidiaries with significant influence over the Company	721	113
	Associates	16	218
		$ 4,074,739	$ 4,051,329
Other payables	Subsidiaries	$ 13,598	$ 13,602
	Substantive related parties	905	249
	Investor and its subsidiaries with significant influence over the Company	382	41
		$ 14,885	$ 13,892

The outstanding payables to related parties were unsecured.

f. Prepayments

Related Party Categories	December 31 2017	December 31 2016
Subsidiaries	$ -	$ 136

g. Unearned revenue

Related Party Categories/Names	December 31 2017	December 31 2016
Subsidiaries		
Transyork Technology Yangzhou Ltd.	$ 162,977	$ 24,979
Others	2	1
	$ 162,979	$ 24,980

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

Related Party Categories	December 31 2017	December 31 2016
Key management personnel	$ 1,050	$ -

i. Royalty income

Related Party Categories/Names	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Subsidiaries		
Transmart Electronics (Yangzhou) Ltd.	$ -	$ 12,798

j. Manufacturing overhead (included in operating costs)

Related Party Categories	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Subsidiaries	$ 282,104	$ 427,596

k. Endorsements and guarantees given by related parties

Related Party Categories/Names	December 31 2017	December 31 2016
Subsidiaries		
E Ink Corporation	$ 1,279,680	$ 774,000
PVI Global Corp.	59,520	129,000
Dream Pacific International Corp.	59,520	129,000
	$ 1,398,720	$ 1,032,000

l. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 109,495	$ 97,487
Post-employment benefits	1,188	1,221
Share-based payments	7,007	-
	$ 117,690	$ 98,708

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

23. ASSETS PLEDGED AS COLLATERAL

Assets amounting to $36,679 thousand and $33,528 thousand (included in other current assets) as of December 31, 2017 and 2016, respectively, were provided as tenancy deposits for renting plants and land and as guarantees of tariffs of imported goods.

24. 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 $3,530,000 thousand and $3,610,000 thousand as of December 31, 2017 and 2016, respectively.

The Company 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 Company, the Company will continue to take an active defense to safeguard its rights and interests.

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the Company's functional currency, and the exchange rates between such foreign currencies and the Company's functional currency 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
Financial assets			
Monetary items			
USD	$ 167,595	29.76 (USD:NTD)	$ 4,987,627
Non-monetary items			
Investments accounted for using equity method			
USD	365,217	29.76 (USD:NTD)	$ 10,868,872

(Continued)

Financial liabilities	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Monetary items			
USD	$ 203,164	29.76 (USD:NTD)	$ 6,046,161

(Concluded)

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 132,160	32.25 (USD:NTD)	$ 4,262,166
Non-monetary items			
Investments accounted for using equity method			
USD	331,337	32.25 (USD:NTD)	$ 10,685,614
Financial liabilities			
Monetary items			
USD	155,629	32.25 (USD:NTD)	$ 5,019,034

For the years ended December 31, 2017 and 2016, net foreign exchange losses (realized and unrealized) were $28,301 thousand and $15,644 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.

26. 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) (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 (None)

10) 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, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

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

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

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

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

e) The highest 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 year or on the financial position, such as the rendering or receipt of services

TABLE 1

E INK HOLDINGS INC.

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.	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 asset 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.

E INK HOLDINGS INC.

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.

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: See Tables 7 and 8 for information on investments in subsidiaries and associates.

E INK HOLDINGS INC.

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.

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: The proportion of the individual company’s total receivables (payables).

E INK HOLDINGS INC.

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.

TABLE 7

E INK HOLDINGS INC.

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

TABLE 8

E INK HOLDINGS INC.

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.	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.	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.	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.	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.	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.	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)	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 Company 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.

(Concluded)

E INK HOLDINGS INC.

SCHEDULE OF THE STATEMENTS OF IMPORTANT ACCOUNTING ITEMS

SCHEDULE 1

E INK HOLDINGS INC.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Except Amounts Shown in the Notes)

Item	Rate	Amount
Cash on hand (Note)		$ 171
Checking accounts and demand deposits (Note)		
Checking accounts		156
Demand deposits	0.07%-0.65%	639,032
		639,188
		$ 639,359

Note: Including US$15,095 thousand and JPY58,090 thousand, translated at an exchange rate of US$1=NT$29.76 and JPY1=NT$0.2642.

SCHEDULE 2

E INK HOLDINGS INC.

STATEMENT OF INVENTORIES
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Item	Amount Cost	Amount Net Realizable Value
Finished goods	$ 987,832	$ 1,487,372
Semi-finished goods	275,185	205,052
Work in progress	7,294	4,940
Raw materials	1,133,839	1,252,296
	2,404,150	$ 2,949,660
Less: Allowance for loss on inventory valuation (Note)	(490,358)	
	$ 1,913,792	

Note: Allowance for loss on inventory valuation included the loss on obsolete inventories recognized.

SCHEDULE 3

E INK HOLDINGS INC.

CHANGES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Except Unit Price)

Type and Name of Marketable Securities	January 1, 2017		Increase in 2017		Unrealized	Fair Value on December 31, 2017 (Note)			
	Shares	Amount	Shares	Amount	Gain or Loss	Shares	Percentage of Ownership (%)	Unit Price	Amount
Shares									
SinoPac Financial Holding Company Limited	56,201	$ 510,306	32,477	$ 279,998	$ 67,212	88,678	0.80	$ 9.67	$ 857,516
YFY Inc.	7,814	75,640	-	-	33,365	7,814	0.47	13.95	109,005
Ultra Chip, Inc.	2,863	114,220	-	-	(2,863)	2,863	4.51	38.90	111,357
		$ 700,166		$ 279,998	$ 97,714				$ 1,077,878

Note: Closing price on December 31, 2017

E INK HOLDINGS INC.

CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2017 Shares (In Thousands)	Balance, January 1, 2017 Amount	Decrease in 2017 Shares (In Thousands)	Decrease in 2017 Amount	Share of Profit or Loss of Investments Accounted for Using the Equity Method (Note 1)	Unrealized Loss on Transactions with Associates	Share Equity Adjustments (Note 2)	Balance, December 31, 2017 Shares (In Thousands)	Balance, December 31, 2017 Percentage of Ownership (%)	Balance, December 31, 2017 Amount
PVI Global Corp.	99,413	$ 9,137,356	-	$ -	$ 534,266	$ -	$ (250,261)	99,413	100.00	$ 9,421,361
New Field e-Paper Co., Ltd.	671,032	6,164,669	-	-	(159,455)	-	(390,266)	671,032	100.00	5,614,948
E Ink Corporation	1	4,559,166	-	-	(152,320)	-	(84,307)	1	45.31	4,322,539
Yuen Yu Investment Co., Ltd.	152,433	2,372,319	-	-	(97,334)	-	7,815	152,433	100.00	2,282,800
SiPix Technology, Inc. (Note 3)	-	1,675,750	-	(581,523)	852,821	(2,314)	21,790	-	100.00	1,966,524
Dream Universe Ltd.	4,050	346,341	-	-	28,142	-	(21,202)	4,050	100.00	353,281
Prime View Communications Ltd.	3,570	28,545	-	-	586	-	(2,431)	3,570	100.00	26,700
Tech Smart Logistics Ltd.	1,550	4,384	-	-	(104)	-	(330)	1,550	0.09	3,950
Hot Tracks International Ltd.	50	10	-	-	10	-	-	50	100.00	20
Entte K Co., Ltd. (under liquidation)	2,203	-	-	-	-	-	-	2,203	47.07	-
		$ 24,288,540		$ (581,523)	$ 1,006,612	$ (2,314)	$ (719,192)			$ 23,992,123

Note 1: The carrying amount was calculated based on audited financial statements of the corresponding year.

Note 2: Adjustments included capital surplus, exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets and retained earnings.

Note 3: The carrying amount decrease was due to the distribution of cash dividends.

E INK HOLDINGS INC.

STATEMENT OF NOTES AND ACCOUNTS PAYABLE
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Amount
Company A	$ 277,195
Company B	256,326
Company C	143,600
Company D	128,288
Company E	123,378
Company F	103,410
Company G	102,293
Others (Note)	675,828
	$ 1,810,318

Note: The individual amounts per vendor included in “Others” do not exceed 5% of the account balance.

SCHEDULE 6

E INK HOLDINGS INC.

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Item	Number/Units (In Thousands)	Amount
Sales		
Monitors	12,074	$ 11,322,912
Electronic shelf labels	4,956	451,998
Others	6,942	2,159,844
		13,934,754
Less: Sales returns and discounts		(29,395)
Net sales		$ 13,905,359

SCHEDULE 7

E INK HOLDINGS INC.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods sold	
Raw materials and supplies balance, beginning of year	$ 745,543
Raw materials and supplies purchased	11,384,852
Sales of raw materials and supplies	(459,734)
Transfers to other accounts	(177,775)
Raw materials and supplies, end of year	(1,133,839)
Usage of direct materials and supplies	10,359,047
Direct labor	31,779
Manufacturing expenses	620,807
Manufacturing costs	11,011,633
Work in progress and semi-finished goods, beginning of year	253,569
Semi-finished goods purchased	32
Sales of semi-finished goods	(314,031)
Transfers to other accounts	(79,505)
Work in progress and semi-finished goods, end of year	(282,479)
Cost of finished goods	10,589,219
Finished goods, beginning of year	420,803
Finished goods purchased	1,069
Transfers to other accounts	(14,461)
Finished goods, end of year	(987,832)
Cost of goods sold of finished goods	10,008,798
Cost of goods sold of raw materials and supplies	459,734
Cost of goods sold of semi-finished goods	314,031
Idle capacity losses	294,061
Write-downs of inventories	193,180
Reversal of write-downs of inventories	(13,244)
Total operating costs	$ 11,256,560

E INK HOLDINGS INC.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Items	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Employee benefits	$ 122,044	$ 475,926	$ 318,362	$ 916,332
Professional service remuneration	100,070	50,158	37,241	187,469
Material fees	6,384	18,406	103,993	128,783
Depreciation	234	28,021	65,862	94,117
Testing experiment expenses	2,463	616	90,576	93,655
Travel expenses	17,351	18,824	11,325	47,500
Others (Note)	15,578	167,358	60,919	243,855
	$ 264,124	$ 759,309	$ 688,278	$ 1,711,711

Note: The amount of each item included in “Others” does not exceed 5% of the account balance.

E INK HOLDINGS INC.

STATEMENT OF ANALYSIS OF EMPLOYEE BENEFITS EXPENSE AND DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2017			2016		
	Amount of Operation Costs	Amount of Operation Expenses	Total	Amount of Operation Costs	Amount of Operation Expenses	Total
Employee benefits expense						
Salaries	$ 133,994	$ 800,922	$ 934,916	$ 230,336	$ 746,111	$ 976,447
Labor and health insurance	12,891	52,825	65,716	21,149	48,178	69,327
Pension	6,689	32,910	39,599	11,413	52,802	64,215
Other employee benefits	9,457	29,675	39,132	13,901	22,530	36,431
	$ 163,031	$ 916,332	$ 1,079,363	$ 276,799	$ 869,621	$ 1,146,420
Depreciation	$ 146,445	$ 94,117	$ 240,562	$ 175,880	$ 91,377	$ 267,257
Amortization	$ -	$ 25,735	$ 25,735	$ -	$ 29,888	$ 29,888

Note: The number of employees of the Company is 832 people and 943 people as of December 31, 2017 and 2016, respectively.