E Ink Holdings Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

REPRESENTATION LETTER OF COMBINED FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of E Ink Holdings Inc. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, E Ink Holdings Inc. and its subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

E INK HOLDINGS INC.

By:

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FRANK KO
Chairman

March 20, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
E Ink Holdings Inc.

Opinion

We have audited the accompanying consolidated financial statements of E Ink Holdings Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The key audit matter for the Group's consolidated financial statements for the year ended December 31, 2018 is stated as follows:

Impairment of Goodwill

As disclosed in Notes 4 and 18 as well as Table 7 to the consolidated financial statements, the Group's goodwill was derived from acquiring related subsidiaries to obtain electronic ink research and development and manufacturing centers, as well as to integrate patents of ePaper techniques. The amount of goodwill is material to the overall consolidated financial statements, therefore, management annually assesses the impairment of goodwill in accordance with the IAS 36 "Impairment of Assets".

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

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

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

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

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

Other Matter

We have also audited the financial statements of E Ink Holdings Inc. as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine a matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018, and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

Notice to Readers

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

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 7,695,106	21	$ 11,878,649	33
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,840,835	5	-	-
Financial assets at amortized cost (Notes 4 and 9)	3,860,537	10	-	-
Contract assets (Notes 4 and 24)	187,329	1	-	-
Debt investments with no active market (Notes 4 and 12)	-	-	519,209	1
Accounts receivable (Notes 4, 13 and 33)	2,243,412	6	2,009,800	6
Other receivables (Note 4)	223,850	1	325,740	1
Current tax assets (Notes 4 and 26)	44,850	-	315,229	1
Inventories (Notes 4 and 14)	1,926,990	5	2,143,359	6
Prepayments (Note 33)	318,982	1	220,007	1
Non-current assets held for sale (Notes 4 and 15)	10,166	-	-	-
Other financial assets (Notes 4 and 6)	-	-	199,391	-
Other current assets (Note 34)	518,868	1	136,356	-
Total current assets	18,870,925	51	17,747,740	49
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	3,431,736	9	-	-
Available-for-sale financial assets (Notes 4 and 10)	-	-	2,749,317	8
Financial assets measured at cost (Notes 4 and 11)	-	-	267,981	1
Investments accounted for using the equity method (Note 4)	82,802	-	88,756	-
Property, plant and equipment (Notes 4, 15 and 17)	4,521,441	12	4,752,982	13
Goodwill (Notes 4 and 18)	6,781,244	19	6,702,636	19
Other intangible assets (Notes 4 and 18)	1,744,809	5	1,889,153	5
Deferred tax assets (Notes 4 and 26)	1,071,888	3	1,425,249	4
Other non-current assets (Notes 33 and 34)	409,263	1	252,106	1
Total non-current assets	18,043,183	49	18,128,180	51
TOTAL	$ 36,914,108	100	$ 35,875,920	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	$ 1,480,000	4	$ 377,600	1
Short-term bills payable (Note 19)	564,722	2	-	-
Contract liabilities (Notes 4 and 24)	1,573,002	4	-	-
Notes and accounts payable (Note 33)	1,347,676	4	2,201,116	6
Other payables (Notes 20 and 30)	1,351,759	4	1,641,420	5
Current tax liabilities (Notes 4 and 26)	128,343	-	153,649	-
Provisions (Notes 4 and 21)	26,095	-	637,781	2
Receipts in advance (Note 15)	18,373	-	1,701,659	5
Current portion of long-term borrowings (Note 19)	-	-	117,993	-
Other current liabilities (Notes 4 and 7)	79,147	-	40,334	-
Total current liabilities	6,569,117	18	6,871,552	19
NON-CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 24)	1,761,719	5	-	-
Long-term borrowings (Note 19)	44,752	-	45,545	-
Deferred revenue - non-current (Note 4)	-	-	1,607,917	5
Net defined benefit liabilities (Notes 4 and 22)	80,770	-	70,350	-
Other non-current liabilities (Notes 4, 26 and 33)	143,306	-	53,661	-
Total non-current liabilities	2,030,547	5	1,777,473	5
Total liabilities	8,599,664	23	8,649,025	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 23 and 28)				
Share capital	11,404,677	31	11,404,677	32
Capital surplus	10,243,293	28	10,108,119	28
Retained earnings				
Legal reserve	1,512,287	4	1,304,481	4
Special reserve	70,678	-	70,678	-
Unappropriated earnings	5,138,085	14	4,246,203	12
Total retained earnings	6,721,050	18	5,621,362	16
Other equity	(255,475)	(1)	106,609	-
Treasury shares	(184,900)	-	(308,269)	(1)
Total equity attributable to owners of the Company	27,928,645	76	26,932,498	75
NON-CONTROLLING INTERESTS (Notes 23 and 29)	385,799	1	294,397	1
Total equity	28,314,444	77	27,226,895	76
TOTAL	$ 36,914,108	100	$ 35,875,920	100

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 24 and 33)	$ 14,208,661	100	$ 15,203,334	100
OPERATING COSTS (Notes 14, 25 and 33)	8,278,485	58	8,918,918	59
GROSS PROFIT	5,930,176	42	6,284,416	41
OPERATING EXPENSES (Notes 25 and 33)				
Selling and marketing expenses	796,893	6	728,467	5
General and administrative expenses	2,604,270	18	2,517,180	16
Research and development expenses	2,071,848	15	1,936,382	13
Total operating expenses	5,473,011	39	5,182,029	34
INCOME FROM OPERATIONS	457,165	3	1,102,387	7
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Interest income (Note 33)	176,439	1	90,819	-
Royalty income (Note 24)	2,360,815	17	2,606,703	17
Dividend income	136,225	1	100,951	1
Other income (Note 33)	119,853	1	99,243	1
Interest expenses (Note 17)	(28,579)	-	(24,895)	-
Net gain on disposal of property, plant and equipment	796	-	50,317	-
Net gain (loss) on foreign currency exchange (Note 36)	310,568	2	(728,477)	(5)
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	6,413	-	101,591	1
Impairment loss (Note 17)	(223,627)	(2)	(21,672)	-
Other expenses	(56,800)	-	(38,956)	-
Total non-operating income and expenses	2,802,103	20	2,235,624	15
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,259,268	23	3,338,011	22
INCOME TAX EXPENSE (Notes 4 and 26)	(567,192)	(4)	(405,713)	(3)
NET INCOME FROM CONTINUING OPERATIONS	2,692,076	19	2,932,298	19
NET LOSS FROM DISCONTINUED OPERATIONS (Notes 4 and 15)	-	-	(849,968)	(5)
NET INCOME FOR THE YEAR	2,692,076	19	2,082,330	14

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E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	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 23)	$ (10,235)	-	$ (7,076)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(432,897)	(3)	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	4,226	-	1,165	-
	(438,906)	(3)	(5,911)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	59,248	-	(482,418)	(3)
Unrealized gain on available-for-sale financial assets	-	-	122,316	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	(900)	-	(2,102)	-
	58,348	-	(362,204)	(3)
Other comprehensive loss for the year, net of income tax	(380,558)	(3)	(368,115)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,311,518	16	$ 1,714,215	11
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 2,613,673	18	$ 2,078,065	14
Non-controlling interests	78,403	1	4,265	-
	$ 2,692,076	19	$ 2,082,330	14
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 2,236,019	16	$ 1,690,155	11
Non-controlling interests	75,499	-	24,060	-
	$ 2,311,518	16	$ 1,714,215	11

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E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 27)				
From continuing and discontinued operations				
Basic	$ 2.32		$ 1.85	
Diluted	$ 2.31		$ 1.85	
From continuing operations				
Basic	$ 2.32		$ 2.57	
Diluted	$ 2.31		$ 2.56	

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
							Other Equity						
	Share Capital			Retained Earnings									
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating The Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	1,140,468	$ 11,404,677	$ 10,071,683	$ 1,113,687	$ 70,678	$ 4,301,134	$ 261,704	$ 226,916	$ -	$ (360,464)	$ 27,090,015	$ (876)	$ 27,089,139
Appropriation of 2016 earnings													
Legal reserve	-	-	-	190,794	-	(190,794)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,680,702)	-	-	-	-	(1,680,702)	-	(1,680,702)
Net income for the year ended December 31, 2017	-	-	-	-	-	2,078,065	-	-	-	-	2,078,065	4,265	2,082,330
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(5,899)	(504,327)	122,316	-	-	(387,910)	19,795	(368,115)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	2,072,166	(504,327)	122,316	-	-	1,690,155	24,060	1,714,215
Difference between actual consideration paid and carrying amount of subsidiaries acquired	-	-	(2,223)	-	-	(255,601)	-	-	-	-	(257,824)	191,413	(66,411)
Share-based payments	-	-	38,825	-	-	-	-	-	-	-	38,825	-	38,825
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	79,800	79,800
Treasury shares transferred to employees	-	-	(166)	-	-	-	-	-	-	52,195	52,029	-	52,029
BALANCE AT DECEMBER 31, 2017	1,140,468	11,404,677	10,108,119	1,304,481	70,678	4,246,203	(242,623)	349,232	-	(308,269)	26,932,498	294,397	27,226,895
Effect of retrospective application	-	-	-	-	-	327,468	-	(349,232)	376,899	-	355,135	15,903	371,038
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,140,468	11,404,677	10,108,119	1,304,481	70,678	4,573,671	(242,623)	-	376,899	(308,269)	27,287,633	310,300	27,597,933
Appropriation of 2017 earnings													
Legal reserve	-	-	-	207,806	-	(207,806)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,853,550)	-	-	-	-	(1,853,550)	-	(1,853,550)
Unclaimed dividends extinguished by prescription	-	-	14	-	-	-	-	-	-	-	14	-	14
Net income for the year ended December 31, 2018	-	-	-	-	-	2,613,673	-	-	-	-	2,613,673	78,403	2,692,076
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(6,052)	61,295	-	(432,897)	-	(377,654)	(2,904)	(380,558)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	2,607,621	61,295	-	(432,897)	-	2,236,019	75,499	2,311,518
Share-based payments	-	-	135,552	-	-	-	-	-	-	-	135,552	-	135,552
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,149	-	-	(18,149)	-	-	-	-
Treasury shares transferred to employees	-	-	(392)	-	-	-	-	-	-	123,369	122,977	-	122,977
BALANCE AT DECEMBER 31, 2018	1,140,468	$ 11,404,677	$ 10,243,293	$ 1,512,287	$ 70,678	$ 5,138,085	$ (181,328)	$ -	$ (74,147)	$ (184,900)	$ 27,928,645	$ 385,799	$ 28,314,444

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	$ 3,259,268	$ 3,338,011
Loss before income tax from discontinued operations	-	(695,735)
Income before income tax	3,259,268	2,642,276
Adjustments for		
Depreciation expenses	683,786	760,250
Amortization expenses	420,594	406,647
Expected credit loss recognized (impairment loss reversed) on accounts receivable	21,200	(10,107)
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(6,413)	(101,591)
Interest expenses	28,579	24,895
Interest income	(176,439)	(90,819)
Dividend income	(136,225)	(100,951)
Compensation costs of share-based payments	135,552	38,825
Share of loss of associates and joint ventures accounted for using the equity method	5,054	9,333
Net gain on disposal of property, plant and equipment	(796)	(50,317)
Net gain on disposal of non-current assets held for sale	-	(7,280)
Net loss (gain) on disposal of investments	1,888	(2,775)
Impairment loss	223,627	181,060
Write-downs of (reversal of) inventories	204,382	(246,721)
Net unrealized gain on foreign currency exchange	(4,553)	(16,992)
Changes in operating assets and liabilities		
Financial assets held for trading	-	115,789
Contract assets	134,610	-
Accounts receivable	(224,772)	(453,004)
Other receivables	31,774	266,000
Inventories	80,370	(585,945)
Prepayments	(183,310)	10,373
Other current assets	(363,464)	146,036
Contract liabilities	105,027	-
Notes and accounts payable	(879,066)	1,119,507
Other payables	(359,033)	394,143
Provisions	(602,151)	136,062
Receipts in advance	18,034	1,082,400
Other current liabilities	33,871	(37,043)
Net defined benefit liabilities	376	(1,654)
Cash generated from operations	2,451,770	5,628,397
Income tax received (paid)	29,534	(113,125)
Net cash generated from operating activities	2,481,304	5,515,272

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E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	$ (968,590)	$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	184,552	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6,431	-
Acquisition of financial assets at amortized cost	(4,317,194)	-
Proceeds from disposal of financial assets at amortized cost	1,152,197	-
Acquisition of financial assets at fair value through profit or loss	(1,818,502)	-
Acquisition of available-for-sale financial assets	-	(839,986)
Acquisition of debt investments with no active market	-	(1,571,696)
Proceeds from repayments of principal of debt investments with no active market	-	1,479,431
Proceeds from disposal of financial assets measured at cost	-	25,080
Disposal of subsidiaries	(713)	-
Proceed from disposal of non-current assets held for sale	-	815,316
Acquisition of property, plant and equipment	(575,061)	(332,067)
Proceeds from disposal of property, plant and equipment	32,128	63,378
Acquisition of other intangible assets	(249,190)	(111,594)
Increase in other financial assets	-	(180,145)
Decrease (increase) in other non-current assets	(154,318)	40,124
Interest received	172,454	88,871
Dividends received	136,225	100,951
Net cash used in investing activities	(6,399,581)	(422,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	1,101,625	(45,088)
Increase in short-term bills payable	564,722	-
Repayments of long-term borrowings	(118,148)	(122,700)
Increase in other non-current liabilities	6,783	5,109
Cash dividends	(1,853,550)	(1,680,702)
Proceeds from treasury shares transferred to employees	122,977	52,029
Interest paid	(27,922)	(24,322)
Changes in non-controlling interests	-	13,389
Proceeds from unclaimed dividends extinguished by prescription	14	-
Net cash used in financing activities	(203,499)	(1,802,285)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(61,767)	23,250

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (4,183,543)	$ 3,313,900
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	11,878,649	8,564,749
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 7,695,106	$ 11,878,649

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

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The Group's consolidated financial statements were approved by the Company's board of directors on March 20, 2019.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively referred to as the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

1) IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The impact on measurement categories, carrying amount and related reconciliation for each class of the Group's financial assets under IAS 39 and IFRS 9 on January 1, 2018 is detailed below:

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 11,878,649	$ 11,878,649	a)
Equity securities	Available-for-sale financial assets (including financial assets measured at cost)	Fair value through other comprehensive income	3,017,298	3,086,572	b)
Wealth investment products	Loans and receivables	Amortized cost	519,209	519,209	c)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	199,391	199,391	c)
Accounts receivable and other receivables	Loans and receivables	Amortized cost	2,335,540	2,335,540	a)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying Amount as of January 1, 2018	Effect on Retained Earnings as of January 1, 2018	Effect on Other Equity as of January 1, 2018	Remark
Financial assets at fair value through other comprehensive income	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale financial assets (IAS 39)	-	3,017,298	69,274	3,086,572	41,607	27,667	b)
	-	3,017,298	69,274	3,086,572	41,607	27,667	
Financial assets at amortized cost	-	-	-	-	-	-	
Add: Reclassification from cash and cash equivalents (IAS 39)	-	11,878,649	-	11,878,649	-	-	a)
Add: Reclassification from debt investments with no active market (IAS 39)	-	519,209	-	519,209	-	-	c)
Add: Reclassification from other financial assets (IAS 39)	-	199,391	-	199,391	-	-	c)
Add: Reclassification from accounts receivable and other receivables (IAS 39)	-	2,335,540	-	2,335,540	-	-	a)
	-	14,932,789	-	14,932,789	-	-	
	$ -	$ 17,950,087	$ 69,274	$ 18,019,361	$ 41,607	$ 27,667	

a) Cash and cash equivalents, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are classified as financial assets at amortized cost with an assessment of expected credit loss under IFRS 9.

b) Equity securities investments of $2,749,317 thousand were classified as available-for-sale financial assets under IAS 39. Because these investments are not held for trading, the Group elected to designate all of these investments as at fair value through other comprehensive income (FVTOCI) under IFRS 9 and reclassified the related other equity - unrealized gain on available-for-sale financial assets of $349,232 thousand to other equity - unrealized gain on financial assets at FVTOCI.

   Investments in unlisted shares of $267,981 thousand were measured at cost under IAS 39. These investments are classified as at FVTOCI under IFRS 9 and required to be remeasured at fair value. Consequently, an increase of $69,274 thousand was recognized in financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

   The Group recognized impairment loss on certain equity securities investments previously measured at cost and the loss was accumulated in retained earnings under IAS 39. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $41,607 thousand in other equity - unrealized gain on financial assets at FVTOCI and an increase of $41,607 thousand in retained earnings on January 1, 2018.

c) Under IAS 39, wealth investment products were classified as debt investments with no active market and measured at amortized cost, and time deposits with original maturities of more than three months were classified as other financial assets. The contractual cash flows of these investments were solely payments of the principal and interest on the outstanding principal, and on January 1, 2018 these investments were held within a business model whose objective is to collect contractual cash flows, therefore, these investments are classified as financial assets at amortized cost with an assessment of expected credit loss under IFRS 9.

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 supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue related interpretations. Please refer to Note 4 for related accounting policies.

Under IFRS 15, certain patented technology licensed by the Group is a right to use the Group’s intellectual property as it existed at the point in time at which the license was granted and the revenue should have been recognized when the patented technology is licensed. The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018 and recognized the cumulative effect of the change in the retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	**Adjustments Arising from Initial Application**	**Restated**
Contract assets - current	$ -	$ 192,775	$ 192,775
Other receivables	325,740	(81,879)	243,861
Contract assets - non-current	-	110,895	110,895
Total effect on assets	$ 325,740	$ 221,791	$ 547,531
Contract liabilities - current	$ -	$ 1,652,850	$ 1,652,850
Receipts in advance	1,701,659	(1,701,659)	-
Contract liabilities - non-current	-	1,481,910	1,481,910
Deferred revenue - non-current	1,607,917	(1,607,917)	-
Other non-current liabilities	53,661	94,843	148,504
Total effect on liabilities	$ 3,363,237	$ (79,973)	$ 3,283,264
Retained earnings	$ 5,621,362	$ 285,861	$ 5,907,223
Non-controlling interests	294,397	15,903	310,300
Total effect on equity	$ 5,915,759	$ 301,764	$ 6,217,523

Had the Group applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15:

Impact on assets, liabilities and equity for current year

	December 31, 2018
Increase in contract assets - current	$ 187,329
Decrease in other receivables	(73,323)
Increase in assets	$ 114,006

(Continued)

	December 31, 2018
Increase in contract liabilities - current	$ 1,573,002
Decrease in receipts in advance	(1,619,859)
Increase in contract liabilities - non-current	1,761,719
Decrease in deferred revenue - non-current	(1,949,185)
Increase in other non-current liabilities	84,153
Decrease in liabilities	$ (150,170)
Increase in retained earnings	$ 250,254
Increase in non-controlling interests	13,922
Increase in equity	$ 264,176

(Concluded)

Impact on total comprehensive income for current year

	For the Year Ended December 31, 2018
Decrease in royalty income	$ (48,278)
Decrease in income tax expenses	10,690
Decrease in net income for the year	$ (37,588)
Decrease in net income attributable to:	
Owners of the Company	$ (35,607)
Non-controlling interests	(1,981)
	$ (37,588)
Impact on earnings per share:	
Decrease in basic earnings per share	$(0.03)
Decrease in diluted earnings per share	$(0.03)

b. Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "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)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

Except for the following, whenever applied, the application of the above New IFRSs will not have any material impact on the Group's accounting policies:

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17"Leases", IFRIC 4 "Determining whether an Arrangement contains a lease" and a number of related interpretations.

Definition of a lease

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

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal and interest portion of lease liabilities will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information will not be restated.

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

The Group expects to apply the following practical expedients:

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

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

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

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

The Group as lessor

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

Anticipated impact on assets and liabilities

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 1,865,084	$ 1,865,084
Other non-current assets	409,263	(864)	408,399
Total effect on assets	$ 409,263	$ 1,864,220	$ 2,273,483
Other current liabilities	$ 79,147	$ (3,019)	$ 76,128
Lease liabilities - current	-	103,943	103,943
Other non-current liabilities	143,306	(25,106)	118,200
Lease liabilities - non-current	-	1,788,402	1,788,402
Total effect on liabilities	$ 222,453	$ 1,864,220	$ 2,086,673

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

See Note 16 and Tables 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

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

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

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

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

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

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

g. Inventories

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

h. Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

i. Property, plant and equipment

Property, plant and equipment are 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 reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

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

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

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

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

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

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

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

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Non-current assets held for sale

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

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

n. Financial instruments

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

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

2018

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

i. Financial assets at FVTPL

Financial assets at FVTPL include mutual funds and investments in equity instruments which are not designated as at FVTOCI and are mandatorily measured at fair value subsequently, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

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

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition and repurchase agreements collateralized by bonds, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

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

Fair value is determined in the manner described in Note 32.

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables and other financial assets) are measured at amortized cost 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 with original maturities within 3 months from the date of acquisition and repurchase agreements collateralized by bonds, 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

<u>2018</u>

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

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

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

<u>2017</u>

Financial assets 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 such financial assets, that the estimated future cash flows of the investment have been affected.

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

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the assets’ 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 year, 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 year.

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 years.

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

c) Derecognition of financial assets

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

In and before 2017, 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. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without reclassifying to profit or loss.

2) Equity instruments

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

In and before 2017, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

o. Provisions

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

1) Onerous contracts

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

2) Restructurings

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

3) Warranties

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

p. Revenue recognition

2018

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

1) Revenue from sale of goods

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

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

2) Licensing revenue

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

2017

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Royalties

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

3) Dividend and interest income

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

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

q. Leasing

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

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

r. Borrowing costs

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Share-based payment arrangements

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

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

u. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 148,402	$ 1,541
Checking accounts and demand deposits	2,003,246	7,967,839
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	4,984,443	3,803,487
Repurchase agreements collateralized by bonds	559,015	105,782
	$ 7,695,106	$ 11,878,649

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

	December 31	
	2018	2017
Demand deposits	0.01-1.15%	0.01-1.15%
Time deposits	0.35-4%	0.2-3.2%
Repurchase agreements collateralized by bonds	0.55-2.8%	0.4-1.7%

As of December 31, 2017, time deposits with original maturities of more than 3 months was $199,391 thousand and was recorded as other financial assets under IAS 39. The interest rate intervals were 2.25% to 2.4%.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Non-derivative financial assets		
Mandatorily measured at FVTPL - mutual funds	$ 1,840,835	$ -
Derivative financial liabilities (included in other current liabilities)		
Held for trading - forward foreign exchange contracts	$ 4,678	$ -

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

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

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Investments in equity investments - non-current	
Domestic listed shares and emerging market shares	$ 2,923,732
Overseas listed shares	462,545
Domestic unlisted shares	35,351
Overseas unlisted shares	10,108
	$ 3,431,736

The Group holds the above investments in equity instruments for long-term strategic purposes and expects to gain profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Please refer to Notes 3, 10 and 11 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

As of December 31, 2018, time deposits with original maturities of more than 3 months was $3,860,537 thousand and the interest rate intervals were 0.84% to 4%. These deposits were originally classified as other financial assets under IAS 39. Please refer to Notes 3 and 6 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic investments	
Listed shares	$ 2,749,317

11. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Overseas unlisted shares	$ 170,793
Domestic emerging market shares	59,218
Domestic unlisted shares	37,970
	$ 267,981

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

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

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET- 2017

	December 31, 2017
Principal guaranteed wealth investment products	$ 519,209

Principal guaranteed wealth investment products bought from banks by the Group were measured at cost and may not be redeemed in advance during the term of the contracts. The expected rates of return internals were 4.25% to 4.5% per annum as of December 31, 2017.

13. ACCOUNTS RECEIVABLE

	December 31	
	2018	2017
Accounts receivable from related parties (Note 33)	$ 159,647	$ 248,685
Gross carrying amount of accounts receivable	2,125,653	1,789,726
Less: Loss allowance	41,888	28,611
	2,083,765	1,761,115
	$ 2,243,412	$ 2,009,800

For the year ended December 31, 2018

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

The following table details the loss allowance for accounts receivable.

December 31, 2018

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

The movements of the loss allowance were as follows:

	For the Year Ended December 31, 2018
Balance at January 1, 2018	$ 28,611
Expected credit loss recognized	21,200
Amounts written off	(7,609)
Foreign exchange translation gains and losses	(314)
Balance at December 31, 2018	$ 41,888

For the year ended December 31, 2017

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

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

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

The aging of accounts receivable was as follows:

	December 31, 2017
Not past due	$ 1,625,121
Past due in 1-90 days	114,430
Past due over 90 days	50,175
	$ 1,789,726

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
Past due in 1-90 days	$ 114,430
Past due over 90 days	21,565
	$ 135,995

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 38,545	$ -	$ 38,545
Impairment losses reversed	(10,107)	-	(10,107)
Foreign exchange translation gains and losses	173	-	173
Balance at December 31, 2017	$ 28,611	$ -	$ 28,611

Accounts receivable of the Group were mainly concentrated to Customer A. The accounts receivable from Customer A were $834,153 thousand and $527,455 thousand as of December 31, 2018 and 2017, respectively.

14. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 415,364	$ 814,904
Semi-finished goods	292,747	218,500
Work in progress	29,009	4,940
Raw materials	1,189,870	1,105,015
	$ 1,926,990	$ 2,143,359

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 included write-downs of inventories of $204,382 thousand and reversal of inventories of $246,721 thousand, respectively. Previous write-downs were reversed as a result of the disposal of obsolete inventories.

15. NON-CURRENT ASSETS HELD FOR SALE

a. Discontinued operations

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

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

	For the Year Ended December 31, 2017
Operating revenue	$ 133,081
Operating costs	(128,575)
Gross profit	4,506
Operating expenses	(452,088)
Loss from operations	(447,582)
Impairment loss	(159,388)
Non-operating income and expenses	(88,765)
Loss before tax	(695,735)
Income tax expense	(154,233)
Net loss for the year	$ (849,968)
Loss from discontinued operations attributable to:	
Owners of the Company	$ (805,175)
Non-controlling interests	(44,793)
	$ (849,968)
Net cash used in operating activities	$ (395,714)
Net cash generated from investing activities	829,077
Net cash inflows	$ 433,363

b. Non-current assets held for sale

	December 31	
	2018	2017
Equipment held for sale	$ 10,166	$ -
Liabilities directly associated with equipment held for sale	$ 18,373	$ -

The board of directors of the subsidiary Hydis Technologies Co., Ltd. resolved to dispose of the aforementioned property, plant and equipment of the discontinued operations in October 2015 and reclassified the property, plant and equipment to non-current assets held for sale. The board of directors of Hydis Technologies Co., Ltd. resolved to sell the above property, plant and equipment to a non-related party in August 2017. The impairment loss recognized under loss from discontinued operations was $159,388 thousand for the year ended December 31, 2017. The Group has completed the related disposal procedures as of December 31, 2017.

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

16. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Main Business	Proportion of Ownership (%) December 31 2018	Proportion of Ownership (%) December 31 2017	Remark
E Ink Holdings Inc.	PVI Global Corp.	Investment	100.00	100.00	
	E Ink Corporation	Manufacture and sale of electronic ink	45.31	45.31	
	Yuen Yu Investment Co., Ltd.	Investment	100.00	100.00	
	New Field e-Paper Co., Ltd.	Wholesale and sale of electronic parts	100.00	100.00	
	SiPix Technology Inc.	Manufacture and sale of electronic ink	100.00	100.00	
	Dream Universe Ltd.	Trading	100.00	100.00	
	Prime View Communications Ltd.	Trading	100.00	100.00	
	Tech Smart Logistics Ltd.	Trading	0.09	0.09	
	Hot Tracks International Ltd.	Trading	100.00	100.00	
New Field e-Paper Co., Ltd.	E Ink Corporation	Manufacture and sale of electronic ink	12.88	12.88	
	Tech Smart Logistics Ltd.	Trading	99.91	99.91	
Yuen Yu Investment Co., Ltd.	Lucky Joy Holdings Ltd.	Investment	100.00	100.00	
	Linfiny Corporation	Research, development and sale of electronic ink	77.00	77.00	
	YuanHan Materials Inc.	Manufacture and sale of electronic parts	100.00	100.00	
SiPix Technology Inc.	Linfiny Corporation	Research, development and sale of electronic ink	4.00	4.00	
Linfiny Corporation	Linfiny Japan Inc.	Research, development and sale of electronic ink	100.00	100.00	
E Ink Corporation	E Ink California, LLC	Research, development and sale of electronic ink	100.00	100.00	
	E Ink Japan Inc.	Development of electronic ink products	100.00	100.00	
	E Ink Systems, LLC	Research and development of application software	100.00	100.00	
PVI Global Corp.	PVI International Corp.	Trading	100.00	100.00	
	Ruby Lustre Ltd.	Investment	100.00	100.00	
	Dream Pacific International Corp.	Sale of LCD monitor products	100.00	100.00	
	Transyork Technology Yangzhou Ltd.	Assembly of LCD flat panels	55.61	55.61	
	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of LCD monitors	66.66	66.66	
Tech Smart Logistics Ltd.	E Ink Corporation	Manufacture and sale of electronic ink	41.81	41.81	
Dream Universe Ltd.	Transyang Electronics (Yangzhou) Ltd.	Assembly of LCD flat panels	100.00	100.00	
PVI International Corp.	Transcend Optronics (Yangzhou) Co., Ltd.	Assembly of LCD flat panels	100.00	100.00	
Ruby Lustre Ltd.	Rich Optronics (Yangzhou) Co., Ltd.	Assembly of LCD flat panels	100.00	100.00	
Dream Pacific International Corp.	Hydis Technologies Co., Ltd.	Research, development and sale of LCD monitors	94.73	94.73	
	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	24.19	24.19	
Hydis Technologies Co., Ltd.	Hydis Taiwan Inc.	Sale of LCD monitor products	-	100.00	a.
	Hydis Shenzhen Ltd.	Sale of LCD monitor products	-	100.00	b.
Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	75.81	75.81	
	Transyork Technology Yanzhou Ltd.	Assembly of LCD flat panels	44.39	44.39	
	Transmart Electronics (Yangzhou) Ltd.	Research development and sale of LCD monitors	33.34	33.34	

a. The board of directors of Hydis Taiwan Inc., acting its authority as the shareholder, resolved to dissolve its company on September 30, 2017 and the base date of liquidation was March 1, 2018.

b. Hydis Shenzhen Ltd. has completed its liquidation process in November 2018.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost					
Balance at January 1, 2017	$ 4,024,275	$ 9,656,051	$ 5,222,224	$ 225,426	$ 19,127,976
Additions	7,850	121,791	155,848	98,468	383,957
Disposals	(218,374)	(2,499,307)	(105,267)	-	(2,822,948)
Effects of foreign currency exchange differences	(41,912)	(75,069)	(188,103)	(17,660)	(322,744)
Balance at December 31, 2017	$ 3,771,839	$ 7,203,466	$ 5,084,702	$ 306,234	$ 16,366,241
Accumulated depreciation and impairment					
Balance at January 1, 2017	$ 2,177,248	$ 8,403,090	$ 3,227,816	$ -	$ 13,808,154
Depreciation expenses	117,735	318,255	324,260	-	760,250
Impairment losses	-	7,568	4	-	7,572
Disposals	(218,374)	(2,487,958)	(103,555)	-	(2,809,887)
Effects of foreign currency exchange differences	(17,162)	(60,358)	(75,310)	-	(152,830)
Balance at December 31, 2017	$ 2,059,447	$ 6,180,597	$ 3,373,215	$ -	$ 11,613,259
Carrying amount at December 31, 2017	$ 1,712,392	$ 1,022,869	$ 1,711,487	$ 306,234	$ 4,752,982
Cost					
Balance at January 1, 2018	$ 3,771,839	$ 7,203,466	$ 5,084,702	$ 306,234	$ 16,366,241
Additions	13,345	157,765	170,848	273,527	615,485
Disposals	(1,020)	(112,762)	(280,535)	-	(394,317)
Reclassifications	146,543	(63,105)	1,092	(148,233)	(63,703)
Effects of foreign currency exchange differences	(24,688)	(22,107)	23,662	8,069	(15,064)
Balance at December 31, 2018	$ 3,906,019	$ 7,163,257	$ 4,999,769	$ 439,597	$ 16,508,642
Accumulated depreciation and impairment					
Balance at January 1, 2018	$ 2,059,447	$ 6,180,597	$ 3,373,215	$ -	$ 11,613,259
Depreciation expenses	115,437	278,622	289,727	-	683,786
Impairment losses (reversed)	-	(3,660)	139,093	-	135,433
Disposals	(584)	(84,650)	(277,751)	-	(362,985)
Reclassifications	-	(53,346)	-	-	(53,346)
Effects of foreign currency exchange differences	(11,158)	(13,198)	(4,590)	-	(28,946)
Balance at December 31, 2018	$ 2,163,142	$ 6,304,365	$ 3,519,694	$ -	$ 11,987,201
Carrying amount at December 31, 2018	$ 1,742,877	$ 858,892	$ 1,480,075	$ 439,597	$ 4,521,441

The Group performed an assessment of the recoverable amount of property, plant and equipment and recognized an impairment loss of $135,433 thousand and $7,572 thousand for the years ended December 31, 2018 and 2017, respectively.

Information about the capitalized interest is as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 497	$ 307
Capitalization rate intervals	0.91-2.11%	0.99-1.82%

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

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

18. GOODWILL AND OTHER INTANGIBLE ASSETS

	December 31	
	2018	2017
Goodwill	$ 6,781,244	$ 6,702,636
Other intangible assets		
Patents	1,619,156	1,864,507
Others	125,653	24,646
	1,744,809	1,889,153
	$ 8,526,053	$ 8,591,789

	Goodwill	Patents	Others	Total
Balance at January 1, 2017	$ 6,907,594	$ 2,243,961	$ 26,920	$ 9,178,475
Additions	-	99,533	12,061	111,594
Amortization expenses	-	(392,847)	(13,788)	(406,635)
Effects of foreign currency exchange differences	(204,958)	(86,140)	(547)	(291,645)
Balance at December 31, 2017	6,702,636	1,864,507	24,646	8,591,789
Additions	-	123,252	125,938	249,190
Amortization expenses	-	(395,765)	(24,829)	(420,594)
Effects of foreign currency exchange differences	78,608	27,162	(102)	105,668
Balance at December 31, 2018	$ 6,781,244	$ 1,619,156	$ 125,653	$ 8,526,053

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

Patents	6-17 years
Other intangible assets	3-5 years

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Line of credit borrowings	$ 1,480,000	$ 377,600
Foreign currency included (in thousands of USD)	$ -	$ 10,000
Interest rate intervals	0.98-1.52%	0.98-2.08%

b. Short-term bills payable

	December 31	
	2018	**2017**
Commercial paper	$ 565,000	$ -
Less: Discounts on bills payable	278	-
	$ 564,722	$ -
Interest rate intervals	0.61-1.03%	-

c. Long-term borrowings

	December 31	
	2018	**2017**
Long-term payables	$ 44,752	$ 163,538
Less: Current portions	-	117,993
Long-term borrowings	$ 44,752	$ 45,545

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

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

20. OTHER PAYABLES

	December 31	
	2018	2017
Payables for salaries or bonuses	$ 779,704	$ 808,450
Payables for construction and equipment	127,906	86,466
Payable for professional service fees	45,911	130,935
Payables for utilities	30,018	136,150
Others	368,220	479,419
	$ 1,351,759	$ 1,641,420

21. PROVISIONS

	December 31	
	2018	2017
Warranties (a)	$ 26,082	$ 20,932
Litigation provisions (b)	13	616,849
	$ 26,095	$ 637,781

a. The provision for warranty claims represents the present value of the Group's management's best estimate of the future outflow of the economic benefits based on historical experience which will be required under the Group's obligations for warranties under the agreements of sales contracts.

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

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

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

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 145,075	$ 128,201
Fair value of plan assets	(64,305)	(57,851)
Net defined benefit liabilities	$ 80,770	$ 70,350

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, 2017	$ 117,480	$ (53,010)	$ 64,470
Current service cost	6,729	-	6,729
Net interest expense (income)	1,839	(762)	1,077
Recognized in profit or loss	8,568	(762)	7,806
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	78	78
Actuarial loss - changes in demographic assumptions	4,255	-	4,255
Actuarial loss - changes in financial assumptions	925	-	925
Actuarial loss - experience adjustments	1,818	-	1,818
Recognized in other comprehensive income	6,998	78	7,076
Contributions from the employer	-	(4,157)	(4,157)
Benefits paid	(5,303)	-	(5,303)
Exchange differences on foreign plans	458	-	458
Balance at December 31, 2017	128,201	(57,851)	70,350
Current service cost	7,871	-	7,871
Net interest expense (income)	2,071	(824)	1,247
Recognized in profit or loss	9,942	(824)	9,118
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,465)	(1,465)
Actuarial loss - changes in demographic assumptions	2,705	-	2,705
Actuarial loss - changes in financial assumptions	4,059	-	4,059
Actuarial loss - experience adjustments	4,936	-	4,936
Recognized in other comprehensive income or loss	11,700	(1,465)	10,235
Contributions from the employer	-	(4,165)	(4,165)
Benefits paid	(4,577)	-	(4,577)
Exchange differences on foreign plans	(191)	-	(191)
Balance at December 31, 2018	$ 145,075	$ (64,305)	$ 80,770

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

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

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

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

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

	December 31	
	2018	**2017**
Discount rates	1.1-3.2%	1.4-3.6%
Expected rates of salary increase	2.8-3.0%	2.8-3.3%

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	
	2018	**2017**
Discount rates		
0.25-1% increase	$ (4,453)	$ (4,154)
0.25-1% decrease	$ 4,687	$ 4,378
Expected rates of salary increase		
0.25-1% increase	$ 4,551	$ 4,269
0.25-1% decrease	$ (4,354)	$ (4,079)

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

	December 31	
	2018	**2017**
Expected contributions to the plans for the next year	$ 4,298	$ 4,134
Average duration of the defined benefit obligation	3-12 years	3-13 years

23. EQUITY

a. Ordinary shares

	December 31	
	2018	2017
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	
	2018	2017
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	95,922	20,106
May only be used to offset a deficit		
Expired employee share options	49,840	49,840
Changes in percentage of ownership interests in associates (2)	105	105
Unclaimed dividends extinguished by prescription	14	-
May not be used for any purpose		
Employee share options	77,890	18,546
	$ 10,243,293	$ 10,108,119

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

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with at least 50% of any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Note 25.

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

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

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

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 22, 2018 and June 20, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 207,806	$ 190,794		
Cash dividends	1,853,550	1,680,702	$ 1.65	$ 1.50

The appropriation of earnings for 2018 were proposed by the Company's board of directors on March 20, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 261,367	
Special reserve	184,797	
Cash dividends	2,373,438	$2.10

The appropriation of earnings for 2018 is subject to resolution in the shareholders' meeting to be held on June 18, 2019.

d. Special reserve

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

e. Other equity items

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

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (242,623)	$ 261,704
Exchange differences on translating the financial statements of foreign operations	60,307	(502,225)
Share of associates and join ventures accounted for using the equity method	(900)	(2,102)
Disposal of subsidiaries	1,888	-
Balance at December 31	$ (181,328)	$ (242,623)

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

Balance at January 1, 2017	$ 226,916
Unrealized gain on available-for-sale financial assets	122,316
Balance at December 31, 2017 (IAS 39)	349,232
Effect of retrospective application of IFRS 9	(349,232)
Balance at January 1, 2018 (IFRS 9)	$ -

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

	For the Year Ended December 31, 2018
Balance at January 1 (IAS 39)	$ -
Effect of retrospective application of IFRS 9	376,899
Balance at January 1 (IFRS 9)	376,899
Unrealized loss on equity instruments	(432,897)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	(18,149)
Balance at December 31	$ (74,147)

f. Non-controlling interests

	For the Year Ended December 31, 2018
Balance at January 1 (IAS 39)	$ 294,397
Effect of retrospective application of IFRS 9	15,903
Balance at January 1 (IFRS 9)	310,300
Share of profit for the year	78,403
Remeasurement on defined benefit plans	43
Exchange difference on translating the financial statements of foreign operations	(2,947)
Balance at December 31	$ 385,799

	For the Year Ended December 31, 2017
Balance at January 1	$ (876)
Share of profit for the year	4,265
Remeasurement on defined benefit plans	(12)
Acquisition of non-controlling interests in subsidiaries (Note 29)	191,413
Exchange difference on translating the financial statements of foreign operations	19,807
Others (Note)	79,800
Balance at December 31	$ 294,397

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

g. Treasury shares

Unit: Shares in Thousand

	For the Year Ended December 31	
	2018	**2017**
Number of shares at January 1	17,104	20,000
Transferred to employees	(6,845)	(2,896)
Number of shares at December 31	10,259	17,104

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

24. REVENUE

a. Revenue from contracts with customers

Type of Revenue/Category by Product	**For the Year Ended December 31, 2018**
Revenue from sale of goods	
Monitors	$ 10,546,456
Electronic shelf labels	3,221,182
Others	441,023
	$ 14,208,661
Royalty income	$ 2,360,815

b. Contract balances

	December 31, 2018
Accounts receivable (Note 13)	$ 2,243,412
Contract assets - current	
Royalty	$ 187,329
Contract liabilities	
Royalty	$ 1,423,203
Sale of goods	149,799
Contract liabilities - current	1,573,002
Contract liabilities - non-current	
Royalty	1,761,719
	$ 3,334,721

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

Type of Revenue	For the Year Ended December 31, 2018
Royalty income	$ 1,586,796
Revenue from sale of goods	129,406
	$ 1,716,202

25. NET INCOME FROM CONTINUING OPERATIONS

Components of net income from continuing operations were as follows:

a. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 683,786	$ 760,250
Other intangible assets	420,594	406,529
Other non-current assets	-	12
	$ 1,104,380	$ 1,166,791
An analysis of depreciation by function		
Operating costs	$ 393,833	$ 424,332
Operating expenses	289,953	335,918
	$ 683,786	$ 760,250

(Continued)

	For the Year Ended December 31	
	2018	2017
An analysis of amortization by function		
Operating costs	$ 2,602	$ 2,502
Operating expenses	417,992	404,039
	$ 420,594	$ 406,541

(Concluded)

b. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (Note 22)		
Defined contribution plans	$ 72,476	$ 67,279
Defined benefit plans	9,118	5,512
	81,594	72,791
Share-based payments		
Equity-settled	135,552	38,825
Other employee benefits	3,485,230	3,256,795
Total employee benefits expense	$ 3,702,376	$ 3,368,411
An analysis of employee benefits expense by function		
Operating costs	$ 1,114,021	$ 953,727
Operating expenses	2,588,355	2,414,684
	$ 3,702,376	$ 3,368,411

c. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at the rates of no less than 1% and no higher than 10% as well as remuneration of directors at the rates of no higher than 1%, respectively, of net income before income tax, employees' compensation and remuneration of directors, net of accumulated deficit, if any. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 20, 2019 and March 27, 2018, respectively, were as follows:

	For the Year Ended December 31	
	2018	2017
Employees' compensation	$ 27,100	$ 23,000
Remuneration of directors	$ 12,238	$ 13,000

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2018	**2017**
Current tax		
In respect of the current year	$ 212,311	$ 327,955
Adjustments for the prior years	1,487	(20,454)
	213,798	307,501
Deferred tax		
In respect of the current year	384,431	(38,519)
Effect of tax rate changes	(31,037)	136,731
	353,394	98,212
Income tax expense recognized in profit or loss	$ 567,192	$ 405,713

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

	For the Year Ended December 31	
	2018	**2017**
Income before income tax from continuing operations	$ 3,259,268	$ 3,338,011
Income tax expense calculated at the statutory rate (20% in 2018 and 17% in 2017, respectively)	$ 651,854	$ 567,462
Nondeductible expenses in determining taxable income	77,763	120,071
Tax-exempt income	(42,975)	(23,676)
Unrecognized loss carryforwards, deductible temporary differences and investment credits	(257,931)	(564,184)
Effect of tax rate changes	(31,037)	136,731
Effect of different tax rates of group entities operating in other jurisdictions	61,941	63,934
Adjustments for the prior years	1,487	(20,454)
Others	106,090	125,829
Income tax expense recognized in profit or loss	$ 567,192	$ 405,713

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions. Furthermore, in December 2017, the US amended the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 35% to 21%, effective in 2018.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Current tax - in respect of the current year	$ (2,014)	$ (1,165)
Deferred tax - effect of tax rate changes	(2,212)	-
Income tax benefit recognized in other comprehensive income	$ (4,226)	$ (1,165)

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Prepaid income tax	$ 34,597	$ 309,128
Tax refund receivable	10,253	6,101
	$ 44,850	$ 315,229
Current tax liabilities		
Income tax payable	$ 128,343	$ 153,649

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

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

For the year ended December 31, 2017

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

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

	December 31 2018	December 31 2017
Loss carryforwards		
Expire in 2018	$ -	$ 120,247
Expire in 2019	84,399	85,894
Expire in 2020	1,080,637	1,079,321
Expire in 2021	52,244	53,159
Expire in 2022	1,035,450	976,666
Expire in 2023	370	461,982
Expire in 2024	290	12,087
Expire in 2025	761,124	1,060,500
Expire in 2026	17,262	23,137
Expire in 2027	495,540	499,442
Expire in 2028	351	-
Expire in 2029	460	446
Expire in 2030	26,984	26,145
	$ 3,555,111	$ 4,399,026
Deductible temporary differences	$ 2,529,529	$ 2,523,786

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expiry Year
$ 128,146	2019
1,143,391	2020
95,991	2021
1,079,198	2022
162,182	2023
44,037	2024
1,818,044	2025
44,246	2026
522,524	2027
27,335	2028
26,984	2029
26,984	2030
$ 5,119,062	

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

As of December 31, 2018 and 2017, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were $8,328,762 thousand and $6,466,056 thousand, respectively.

h. Income tax assessments

Income tax assessments of the Group were as follows:

Company	Latest Assessment Year
The Company	2015
Yuen Yu Investment Co., Ltd.	2016
New Field e-Paper Co., Ltd.	2016
SiPix Technology Inc.	2016

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share		
For continuing operations	$ 2.32	$ 2.57
For discontinued operations	-	(0.72)
	$ 2.32	$ 1.85
Diluted earnings per share		
For continuing operations	$ 2.31	$ 2.56
For discontinued operations	-	(0.71)
	$ 2.31	$ 1.85

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

Net Income (Loss) for the Year

	For the Year Ended December 31	
	2018	**2017**
Net income from continuing operations attributable to owners of the Company	$ 2,613,673	$ 2,883,240
Net loss from discontinued operations attributable to owners of the Company	-	(805,175)
Net income attributable to owners of the Company	$ 2,613,673	$ 2,078,065

Number of Shares

Unit: Shares in Thousands

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,126,786	1,121,916
Effect of potentially dilutive ordinary shares		
Employees’ compensation	1,010	656
Share-based payment arrangements	4,141	1,660
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,131,937	1,124,232

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. SHARE-BASED PAYMENT ARRANGEMENTS

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

Information about treasury shares transferred to employees is as follows:

For the year ended December 31, 2018

Unit: Shares in Thousands

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

For the year ended December 31, 2017

Grant Date	Transferable Shares	Shares Transferred for the Year	Accumulated Shares Transferred	Expired Shares	Shares at December 31
March 22, 2017	7,289	2,896	2,896	238	4,155

Treasury shares transferred to employees were priced using a Black-Scholes pricing model. Compensation costs recognized were $135,552 thousand and $38,825 thousand for the years ended December 31, 2018 and 2017, respectively. The inputs to the models are as follows:

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

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

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

30. NON-CASH TRANSACTIONS

For the years ended December 31, 2018 and 2017, the Group entered into the following non-cash investing activities:

	For the Year Ended December 31	
	2018	2017
Acquisition of property, plant and equipment		
Increase in property, plant and equipment	$ 615,485	$ 383,957
Increase in payables for construction and equipment (recorded as other payables)	(40,424)	(51,890)
Cash paid	$ 575,061	$ 332,067

31. CAPITAL MANAGEMENT

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

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

32. FINANCIAL INSTRUMENTS

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

The consolidated financial statements include unlisted shares measured at cost as of December 31, 2017. Since the range of fair values of these equity investments estimated by valuation techniques varied significantly, management believed that the unlisted equity investments held by the Group had fair values which could not be reliably measured. Therefore, they were measured at cost. Such investments were classified as financial assets at FVTOCI under IFRS 9 as of December 31, 2018. Please refer to Notes 3 and 11 for information relating to their reclassification and comparative information for 2017.

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

1) Fair value hierarchy

December 31, 2018

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

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed shares	$ 2,749,317	$ -	$ -	$ 2,749,317

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

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

For the year ended December 31, 2018

	Financial Assets at FVTOCI
	Equity Instruments
Balance at January 1	$ 264,501
Recognized in other comprehensive loss	
Unrealized loss on equity instruments	(534,558)
Exchange differences on translating the financial statements of foreign operations	(5,977)
Purchases	968,590
Disposals	(184,552)
Balance at December 31	$ 508,004

For the year ended December 31, 2017

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

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

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

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

a) Fair value of derivatives - exchangeable bonds were determined according to the calculation of the evaluation model and relevant value analysis report by financial institutions. Significant unobservable input changes are as follows: When net value per share increases, volatility decreases, risk-free interest rate decreases, risk premium decreases or discount for lack of marketability decreases, fair value of such investment will increase.

b) Fair value of domestic and overseas unlisted shares were evaluated using the market approach, which referred to share prices and market conditions of companies with similar operating activities to the Group. Unobservable inputs used by the Group were discount for lack of marketability of 20% as of December 31, 2018. If the discount for lack of marketability increased by 1% while all other variables were held constant, the fair value would have decreased $126 thousand.

c) Fair value of overseas listed private shares were evaluated using the market approach, which referred to the closing prices at the end of the reporting years with consideration of discount for lack of marketability. Unobservable inputs used by the Group were discount for lack of marketability of 16.6% as of December 31, 2018. If the discount for lack of marketability increased by 1% while all other variables were held constant, the fair value would have decreased $5,546 thousand.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
FVTPL	$ 1,840,835	$ -
Loans and receivables (Note 1)	-	14,932,789
Available-for-sale financial assets (Note 2)	-	3,017,298
Amortized cost (Note 3)	14,022,905	-
Equity instruments at FVTOCI	3,431,736	-
Financial liabilities		
FVTPL	4,678	-
Amortized cost (Note 4)	4,788,909	4,383,674

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables and other financial assets.

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

Note 3: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable and other receivables.

Note 4: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, other payables and long-term borrowings (current portion included).

d. Financial risk management objectives and policies

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

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other prices.

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign-currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting years are set out in Note 36.

Sensitivity analysis

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

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

	NTD to USD		RMB to USD		KRW to USD	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017	2018	2017
Profit or loss	$ (12,681)	$ 5,529	$ (12,874)	$ (1,576)	$ (58,358)	$ (66,889)

b) Interest rate risk

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

	December 31	
	2018	2017
Cash flow interest rate risk		
Financial assets	$ 2,003,246	$ 7,967,839

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting years. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. When the market rate of floating rate financial assets change from the effective rate, the estimated future cash flows also change with it.

If interest rates had been 50 basis points higher, the Group's pre-tax cash inflows for the years ended December 31, 2018 and 2017 would increase $10,016 thousand and $39,839 thousand, respectively, because of the Group's exposure to interest rates on its floating rate financial assets. If interest rates had been 50 basis points lower, there would be an equal and opposite impact on pre-tax cash inflows.

c) Other price risk

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

Sensitivity analysis

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

If the price in mutual funds and equity securities had been 5% higher/lower, the income before income tax for the year ended December 31, 2018 would have increased/decreased by $92,042 thousand, respectively, due to the increase/decrease in fair value of financial assets at FVTPL; the other comprehensive income before income tax for the year ended December 31, 2018 would have increased/decreased by $171,587 thousand, respectively, due to the increase/decrease in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher/lower, the other comprehensive income before income tax for the year ended December 31, 2017 would have increased/decreased by $137,466 thousand, respectively, due to the increase/decrease in fair value of available-for-sale financial assets.

The Group's sensitivity to investments in mutual funds and equity securities has not changed significantly from the prior year.

2) Credit risk

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

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group's unutilized short-term bank borrowing facilities were $3,221,445 thousand and $2,939,890 thousand, respectively.

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

December 31, 2018

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

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Fixed interest rate liabilities	$ 229,097	$ -	$ 150,347	$ -	$ -
Non-interest bearing liabilities	-	-	117,993	-	45,545
	$ 229,097	$ -	$ 268,340	$ -	$ 45,545

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Name	Related Party Category
NTX Electronics Yangzhou Co., Ltd.	Associate
Dihao Electronics (Yangzhou) Co., Ltd.	Associate
Yuen Foong Yu Biotech Co., Ltd.	Associate
YFY Inc.	Investor with significant influence over the Group
YFY Investment Co., Ltd.	Subsidiary of investor with significant influence over the Group

(Continued)

Name	Related-party Categories
Eihoyo Shoji Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yuen Foong Paper Co., Ltd. (Nanjing)	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Paper Mfg. Co., Ltd. (Yangzhou)	Subsidiary of investor with significant influence over the Group
Arizon RFID Technology (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Packaging Inc.	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Holding Management Co., Ltd.	Subsidiary of investor with significant influence over the Group
Chung Hwa Pulp Corporation	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yeon Technologies (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
China Color Printing Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yuen Foong Shop Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Jupiter Limited	Subsidiary of investor with significant influence over the Group
LiVEBRiCKS Inc.	Subsidiary of investor with significant influence over the Group
Syntax Communication (H.K.) Limited	Subsidiary of investor with significant influence over the Group
YFY Jupiter US, Inc.	Subsidiary of investor with significant influence over the Group
Jupiter Prestige Group North America Inc.	Subsidiary of investor with significant influence over the Group
Spectiv Brands, LLC	Subsidiary of investor with significant influence over the Group
Johnson Lee	Key management personnel
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
SinoPac Securities Corp.	Substantive related party
Bank SinoPac	Substantive related party
Hsin Yi Enterprise Co., Ltd.	Substantive related party
TGKW Management Limited	Substantive related party
Hsin Fan Precision Electronics (Yangzhou) Co., Ltd. (Originally named Yuen Foong Precision Electronics (Yangzhou) Co., Ltd.)	Substantive related party
Foongtone Technology Co., Ltd.	Substantive related party
Shen’s Art Print Co., Ltd.	Substantive related party

(Concluded)

b. Sales of goods

Related Party Category	For the Year Ended December 31 2018	2017
Associate	$ 7,327	$ -
Subsidiary of investor with significant influence over the Group	37	1,106
	$ 7,364	$ 1,106

c. Purchases of goods

Related Party Category	For the Year Ended December 31 2018	2017
Associate	$ 833,327	$ 534,123
Investor and its subsidiaries with significant influence over the Group	8,413	7,348
Substantive related party	31	16
	$ 841,771	$ 541,487

d. Manufacturing costs

Related Party Category	For the Year Ended December 31 2018	2017
Substantive related party	$ 55,998	$ 64,503
Subsidiary of investor with significant influence over the Group	67	83
Associate	22	155
	$ 56,087	$ 64,741

e. Operating expenses

Related Party Category	For the Year Ended December 31 2018	2017
Substantive related party	$ 25,198	$ 26,996
Associate	11,741	8,076
Investor and its subsidiaries with significant influence over the Group	6,219	16,925
	$ 43,158	$ 51,997

f. Non-operating income - other income

Related Party Category	For the Year Ended December 31 2018	2017
Subsidiary of investor with significant influence over the Group	$ 14,407	$ 12,387
Associate	6,781	6,529
Substantive related party	299	54
	$ 21,487	$ 18,970

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

Related Party Category/Name	December 31 2018	December 31 2017
Associate		
NTX Electronics Yangzhou Co., Ltd.	$ 136,033	$ 230,698
Others	-	91
	136,033	230,789
Investor and its subsidiaries with significant influence over the Group	23,536	17,839
Substantive related party	78	57
	$ 159,647	$ 248,685

The outstanding accounts receivable from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for accounts receivable from related parties.

h. Loans to related parties

Interest income from loans to a subsidiary of investor with significant influence over the Group was $409 thousand for the year ended December 31, 2017.

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

Related Party Category	December 31 2018	December 31 2017
Associate	$ 5,962	$ 104,978
Substantive related party	5,439	5,894
Investor and its subsidiaries with significant influence over the Group	3,716	4,608
	$ 15,117	$ 115,480

The outstanding accounts payable to related parties were unsecured.

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

Related Party Category/Name	December 31 2018	December 31 2017
Substantive related party		
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	$ 50,480	$ 51,374
Subsidiary of investor with significant influence over the Group	482	1,679
	$ 50,962	$ 53,053

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

Related Party Category	December 31 2018	December 31 2017
Key management personnel	$ 1,050	$ 1,050
Substantive related party	67	3
Subsidiary of investor with significant influence over the Group	-	215
	$ 1,117	$ 1,268

l. Compensation of key management personnel

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term employee benefits	$ 125,917	$ 128,766
Post-employment benefits	1,426	1,296
Share-based payments	35,779	10,075
	$ 163,122	$ 140,137

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

34. ASSETS PLEDGED AS COLLATERAL

Assets amounting to $674,334 thousand and $139,629 thousand included in other current assets and non-current assets as of December 31, 2018 and 2017, respectively, were provided as collateral for transaction lines of credit of financial instruments, guarantees of tariffs of imported goods, tenancy deposits for renting plants and land and deposits for the application for provisional attachment.

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Loan note guarantees issued due to long-term and short-term borrowings and transaction lines of credit of financial instruments were $4,670,000 thousand and $3,770,000 thousand as of December 31, 2018 and 2017, respectively.

Letters of bank guarantees issued due to guarantees of tariffs of imported goods were $89,506 thousand and $91,090 thousand as of December 31, 2018 and 2017, respectively.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

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

December 31, 2017

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

For the years ended December 31, 2018 and 2017, net foreign exchange gains (losses), including both realized and unrealized portion, were $310,568 thousand and $(728,477) 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.

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

   1) Financing provided to others (Table 1)

   2) Endorsements/guarantees provided (Table 2)

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

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

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

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

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

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

   9) Trading in derivative instruments (Note 7)

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

   11) Information on investees (Table 7)

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

   1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income and limit on the amount of investment in the mainland China area.

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

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

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

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

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

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

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

38. SEGMENT INFORMATION

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

The Group measured segment profit or loss for the purpose of assessment of segment performance. On the other hand, there were no significant differences between the accounting standards applied by the segments and the summary of significant accounting policies as disclosed in Note 4.

a. Segment revenue and results

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

	Segment Revenue	**Segment Profit or Loss**
For the year ended December 31, 2018		
ROC	$ 15,333,670	$ 1,287,665
Asia	10,279,307	(225,489)
America	4,014,081	(187,704)
Adjustment and eliminations	(15,418,397)	-
	$ 14,208,661	874,472
Central administration cost and remunerations to directors		(417,307)
Interest income		176,439
Royalty income		2,360,815
Dividend income		136,225
Interest expenses		(28,579)
Net gain on disposal of property, plant and equipment		796
Net gain on foreign currency exchange		310,568
Net gain on fair value changes of financial assets and liabilities at FVTPL		6,413
Impairment loss		(223,627)
Other non-operating income and expenses, net		63,053
Income before income tax from continuing operations		$ 3,259,268

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

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

b. Revenue from major products

Category by Product	For the Year Ended December 31 2018	2017
Monitors	$ 10,546,456	$ 11,868,586
Electronic shelf labels	3,221,182	3,055,711
Others	441,023	279,037
	$ 14,208,661	$ 15,203,334

c. Geographical information

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

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

	Non-current Assets December 31	
	2018	**2017**
ROC	$ 1,755,295	$ 1,707,310
Asia	1,841,732	2,002,315
America	9,859,730	9,887,252
	$ 13,456,757	$ 13,596,877

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

d. Information about major customers

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

	For the Year Ended December 31	
	2018	**2017**
Customer A	$ 4,476,536	$ 4,961,278
Customer B	2,511,470	2,902,624
Customer C	814,870	1,698,101
	$ 7,802,876	$ 9,562,003

TABLE 1

E INK HOLDINGS INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Year (Note 1)	Ending Balance (Note 1)	Amount Actually Drawn (Note 1)	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Aggregate Financing Limit (Note 2)
													Item	Value		
1	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd. (Note 3)	Other receivables	Yes	$ 957,468 (RMB 205,022 thousand)	$ 917,540 (RMB 205,022 thousand)	$ 917,540 (RMB 205,022 thousand)	3.915	Short-term financing	$ -	Working capital	$ -	Buildings and right-of-use of land	$ 456,888 (RMB 102,090 thousand)	$ 1,201,628 (RMB 268,501 thousand)	$ 1,201,628 (RMB 268,501 thousand)
2	Rich Optronics (Yangzhou) Co., Ltd.	Yuen Foong Yu Paper Mfg. Co., Ltd. (Yangzhou)	Other receivables	Yes	83,314 (RMB 18,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	321,784 (RMB 71,902 thousand)	321,784 (RMB 71,902 thousand)
3	Sipix Technology Inc.	E Ink Holdings Inc.	Other receivables	Yes	250,000	250,000	250,000	1	Short-term financing	-	Working capital	-	-	-	500,702	500,702

Note 1: The amounts are translated at the exchange rate of RMB1=NT$4.47532 on December 31, 2018, except the maximum balance is translated at the highest exchange rate of the end of each month for the year.

Note 2: The amount shall not exceed 40% of the financing company's net equity per its latest financial statements.

Note 3: All intercompany transactions have been eliminated upon consolidation.

TABLE 2

E INK HOLDINGS INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsed/Guaranteed Party		Limit on Endorsement/ Guarantee Amount Provided to Each Endorsed/ Guaranteed Party (Note 2)	Maximum Balance for the Year (Note 3)	Ending Balance (Note 3)	Amount Actually Drawn (Note 3)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 4)	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by A Subsidiary	Endorsement/ Guarantee to Subsidiaries in Mainland China
		Name	Relationship										
0	E Ink Holdings Inc.	E Ink Corporation	(Note 1)	$ 6,982,161	$ 1,138,100 (US$ 38,000 thousand)	$ 860,020 (US$ 28,000 thousand)	$ -	$ -	3.08	$ 27,928,645	Yes	No	No
		Dream Pacific International Corp.	(Note 1)	6,982,161	60,920 (US$ 2,000 thousand)	-	-	-	-	27,928,645	Yes	No	No
		PVI Global Corp.	(Note 1)	6,982,161	60,920 (US$ 2,000 thousand)	-	-	-	-	27,928,645	Yes	No	No
		Yuen Yu Investment Co., Ltd.	(Note 1)	6,982,161	800,000	800,000	350,000	-	2.86	27,928,645	Yes	No	No
		Linfiny Corporation	(Note 1)	6,982,161	360,000	360,000	65,000	-	1.29	27,928,645	Yes	No	No

Note 1: Subsidiary.

Note 2: The amount shall not exceed 25% of the Company's net equity.

Note 3: The amounts are translated at the exchange rate of US$1=NT$30.715 on December 31, 2018, except the maximum balance is translated at the highest exchange rate of the end of each month for the year.

Note 4: The amount shall not exceed the Company's net equity.

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
E Ink Holdings Inc.	Ordinary shares							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	90,451	$ 931,650	0.80	$ 931,650	
	YFY Inc.	Investor with significant influence over the Company	〃	7,814	87,908	0.47	87,908	
	Ultra Chip, Inc.	One of its director	〃	2,863	100,622	4.51	100,622	
	IGNIS INNOVATION INC.	-	Financial assets at FVTPL	388	-	0.20	-	
	New Medical Imaging Co., Ltd.	-	〃	109	-	2.37	-	
Yuen Yu Investment Co., Ltd.	Ordinary shares							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	115,005	1,184,554	1.02	1,184,554	
	YFY Inc.	Investor with significant influence over the parent company	〃	16	180	-	180	
	Netronix Inc.	One of its director	〃	5,309	195,909	6.38	195,909	
	SES-imagotag	-	〃	867	462,545	6.03	462,545	
	Fitipower Integrated Technology Inc.	-	〃	2,689	99,210	1.65	99,210	
	Formolight Technologies, Inc.	-	〃	2,228	16,654	10.93	16,654	
	Echem Solutions Corp.	-	〃	707	13,662	1.27	13,662	
	eCrowd Media Inc.	-	〃	1,010	5,035	6.62	5,035	
SiPix Technology Inc.	Ordinary shares							
	SinoPac Financial Holding Company Limited	Substantive related party	〃	31,427	323,699	0.28	323,699	
Transcend Optronics (Yangzhou) Co., Ltd.	Ordinary shares							
	Dalian DKE LCD Co., Ltd.	-	〃	837	RMB 2,259 thousand	3.52	RMB 2,259 thousand	
Hydis Technologies Co., Ltd.	Mutual funds							
	Term Liquidity Fund	-	Financial assets at FVTPL	578	KRW 66,591,956 thousand	-	KRW 66,591,956 thousand	

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

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	Ending Balance	
					Number of Unites	Amount	Number of Unites	Amount	Number of Unites	Amount	Carrying Amount	Gain on Disposal		Number of Unites	Amount
Yuen Yu Investment Co., Ltd.	Ordinary shares														
	SES-imagotag	Financial assets at FVTOCI	-	-	-	$ -	867 (shares in thousands)	$ 916,630	-	$ -	$ -	$ -	$ (454,085) (Note 1)	867 (shares in thousands)	$ 462,545
Hydis Technologies Co., Ltd.	Mutual funds														
	Term Liquidity Fund	Financial assets at FVTPL	Citibank	-	-	-	578 (units in thousands)	KRW 66,185,981 thousand	-	-	-	-	KRW 405,975 thousand (Note 2)	578 (units in thousands)	KRW 66,591,956 thousand
Rich Optronics (Yangzhou) Co., Ltd.	Principal guaranteed wealth investment products														
	Ju-Bao Wealth Bao-Yi-Rong	Financial assets at amortized cost	Bank of Jiangsu	-	-	RMB 38,000 thousand	-	RMB 47,400 thousand	-	RMB 86,546 thousand	RMB 85,400 thousand	RMB 1,146 thousand (Note 3)	-	-	-
	Su-Yin-Xi structured	Financial assets at amortized cost	Bank of Jiangsu	-	-	-	-	RMB 68,000 thousand	-	-	-	-	-	-	RMB 68,000 thousand
	Win-win interest rate structured	Financial assets at amortized cost	China CITIC Bank	-	-	-	-	RMB 75,000 thousand	-	RMB 47,619 thousand	RMB 47,000 thousand	RMB 619 thousand (Note 3)	-	-	RMB 28,000 thousand

Note 1: Recorded as unrealized loss on financial assets at FVTOCI.

Note 2: Recorded as net gain on financial assets and liabilities at FVTPL.

Note 3: Recorded as interest income.

TABLE 5

E INK HOLDINGS INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Sale	$ (4,476,536)	(35)	By agreements	$ -	-	$ 1,023,776	32	
	PVI International Corp.	Subsidiary	Sale	(1,582,887)	(12)	By agreements	-	-	136,546	4	
	E Ink Corporation	Subsidiary	Purchase	3,380,747	37	By agreements	-	-	(194,736)	(6)	
	E Ink Japan Inc.	Subsidiary	Purchase	103,064	1	By agreements	-	-	(7,298)	-	
	SiPix Technology Inc.	Subsidiary	Sale	(1,139,853)	(9)	By agreements	-	-	118,426	4	
	Transyork Technology Yangzhou Ltd.	Subsidiary	Purchase	1,442,485	16	By agreements	-	-	(1,107,113)	(35)	
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Purchase	898,466	10	By agreements	-	-	(1,166,467)	(37)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	627,823	7	By agreements	-	-	-	-	
SiPix Technology Inc.	E Ink Holdings Inc.	Parent company	Purchase	1,139,853	80	By agreements	-	-	(118,426)	(80)	
	E Ink Corporation	Same ultimate parent company	Purchase	279,104	19	By agreements	-	-	(28,891)	(20)	
Linfiny Corporation	Linfiny Japan Inc.	Subsidiary	Purchase	129,094	39	By agreements	-	-	(31,258)	(82)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	205,504	61	By agreements	-	-	(5,587)	(15)	
Linfiny Japan Inc.	Linfiny Corporation	Parent company	Sale	(129,094)	(100)	By agreements	-	-	31,258	100	
Prime View Communications Ltd.	E Ink Holdings Inc.	Parent company	Purchase	4,476,536	100	By agreements	-	-	(1,023,776)	(100)	
PVI International Corp.	E Ink Holdings Inc.	Parent company	Purchase	1,582,887	100	By agreements	-	-	(136,546)	(100)	
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	Sale	(898,466)	(100)	By agreements	-	-	1,166,467	100	
Transyork Technology Yangzhou Ltd.	E Ink Holdings Inc.	Parent company	Sale	(1,442,485)	(100)	By agreements	-	-	1,107,113	100	
E Ink Corporation	E Ink Holdings Inc.	Parent company	Sale	(3,380,747)	(91)	By agreements	-	-	194,736	71	
	SiPix Technology Inc.	Same ultimate parent company	Sale	(279,104)	(8)	By agreements	-	-	28,891	10	
	E Ink California, LLC	Subsidiary	Purchase	409,983	41	By agreements	-	-	(247,965)	(95)	
E Ink California, LLC	E Ink Corporation	Parent company	Sale	(409,983)	(100)	By agreements	-	-	247,965	100	
E Ink Japan Inc.	E Ink Holdings Inc.	Parent company	Sale	(103,064)	(100)	By agreements	-	-	7,298	100	

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

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

E INK HOLDINGS INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	$ 1,023,776	4.68	$ -	-	$ 484,014	$ -
	PVI International Corp.	Subsidiary	136,546	7.04	-	-	55,847	-
	SiPix Technology Inc.	Subsidiary	118,426	4.87	-	-	112,476	-
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	1,794,006	(Note 1)	241,577	Collected	1,131,988	-
	NTX Electronics Yangzhou Co., Ltd.	Associate	135,200	(Note 1)	57,591	Collected	82,039	-
Tech Smart Logistics Ltd.	E Ink Holdings Inc.	Parent company	660,143	(Note 1)	660,143	In the process of collection	-	-
Dream Pacific International Corp.	Tech Smart Logistics Ltd.	Same ultimate parent company	176,656	(Note 1)	176,656	In the process of collection	-	-
PVI Global Corp.	Dream Pacific International Corp.	Subsidiary	248,792	(Note 2)	248,792	In the process of collection	-	-
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	1,166,467	(Note 1)	98,049	Collected	1,166,467	-
Transyork Technology Yangzhou Ltd.	E Ink Holdings Inc.	Parent company	1,107,113	(Note 1)	-	-	-	-
	Transcend Optronics (Yangzhou) Co., Ltd.	Same ultimate parent company	190,944	(Note 3)	-	-	-	-
E Ink Corporation	E Ink Holdings Inc.	Parent company	194,736	10.22	362	Collected	194,736	-
E Ink California, LLC	E Ink Corporation	Parent company	247,965	1.58	139,958	In the process of collection	70,332	-

Note 1: Other receivables from materials delivered to subcontractors.

Note 2: Cash dividends receivables.

Note 3: Mainly receivables from disposal of equipment.

Note 4: All intercompany transactions have been eliminated upon consolidation, except NTX Electronics Yangzhou Co., Ltd.

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss) of the Investee	Note
				December 31, 2018	December 31, 2017	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	$ 11,109,595	$ 1,538,961	$ 1,538,961	(Note)
	New Field e-Paper Co., Ltd.	Taoyuan, Taiwan	Wholesale and sale of electronics parts	6,394,455	6,394,455	671,032	100.00	5,701,683	(78,985)	(78,985)	(Note)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	4,911,303	4,911,303	1	45.31	4,305,677	244,874	(66,177)	(Note)
	Yuen Yu Investment Co., Ltd.	Taipei, Taiwan	Investment	5,015,000	5,015,000	152,433	100.00	1,819,546	(44,249)	(44,249)	(Note)
	SiPix Technology Inc.	Taoyuan, Taiwan	Manufacture and sale of electronic ink	1,405,230	1,405,230	-	100.00	2,010,330	757,551	757,551	(Note)
	Dream Universe Ltd.	Mauritius	Trading	128,710	128,710	4,050	100.00	371,562	12,366	12,366	(Note)
	Prime View Communications Ltd.	Hong Kong	Trading	18,988	18,988	3,570	100.00	27,800	282	282	(Note)
	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	4,033	(59,876)	(54)	(Note)
	Hot Tracks International Ltd.	British Virgin Islands	Trading	1,735	1,735	50	100.00	35	15	15	(Note)
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	4,476,738	(59,876)	(59,822)	(Note)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	1,618,500	1,618,500	-	12.88	1,223,949	244,874	(18,811)	(Note)
Yuen Yu Investment Co., Ltd.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	323,400	323,400	32,340	77.00	135,258	(93,420)	(71,933)	(Note)
	YuanHan Materials Inc.	Taoyuan, Taiwan	Manufacture and sale of electronics parts	100,000	24,000	10,000	100.00	49,364	(34,666)	(37,263)	(Note)
	Lucky Joy Holdings Ltd.	Samoa	Investment	36,117	36,117	1,098	100.00	12	-	-	(Note)
	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	-	(54,693)	-	
	Kyoritsu Optronics Co., Ltd.,	Taipei, Taiwan	Technology development, transfer and licensing of flat panels	18,860	18,860	1,050	25.65	-	-	-	
SiPix Technology Inc.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	16,800	16,800	1,680	4.00	7,026	(93,420)	(3,737)	(Note)
Linfiny Corporation	Linfiny Japan Inc.	Tokyo, Japan	Research, development and sale of electronic ink	11,088	11,088	4	100.00	20,218	4,184	4,184	(Note)
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$ 29,158 thousand	US$ 3,174 thousand	US$ 1,127 thousand	(Note)
	E Ink Japan Inc.	Tokyo, Japan	Development of electronic ink products	US$ 86 thousand	US$ 86 thousand	-	100.00	US$ 218 thousand	US$ 33 thousand	US$ 33 thousand	(Note)
	E Ink Systems, LLC	California, USA	Research and development of application software	US$ 337 thousand	US$ 337 thousand	-	100.00	US$ 770 thousand	US$ 90 thousand	US$ 90 thousand	(Note)
Tech Smart Logistics Ltd.	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	US$ 152,875 thousand	US$ 152,875 thousand	1	41.81	US$ 130,103 thousand	US$ 7,647 thousand	US$ (2,097) thousand	(Note)
PVI Global Corp.	PVI International Corp.	British Virgin Islands	Trading	US$ 151,300 thousand	US$ 151,300 thousand	151,300	100.00	US$ 97,997 thousand	US$ (5,973) thousand	US$ (5,973) thousand	(Note)
	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$ 192,499 thousand	US$ 57,078 thousand	US$ 57,078 thousand	(Note)
	Ruby Lustre Ltd.	British Virgin Islands	Investment	US$ 30,000 thousand	US$ 30,000 thousand	30,000	100.00	US$ 26,190 thousand	US$ 451 thousand	US$ 451 thousand	(Note)
	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$ 201,774 thousand	US$ 60,439 thousand	US$ 58,373 thousand	(Note)

Note: All intercompany transactions have been eliminated upon consolidation.

TABLE 8

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 1)	Net Income (Loss) of the Investee (Note 2)	Direct or Indirect Percentage of Ownership (%)	Share of Profit (Loss) of the Investee (Notes 2 and 3)	Carrying Amount as of December 31, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Transcend Optronics (Yangzhou) Co., Ltd.	Assembly of LCD flat panels	$ 4,647,180 (US$ 151,300 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	$ 3,343,174 (US$ 108,845 thousand)	$ -	$ -	$ 3,343,174 (US$ 108,845 thousand)	$ (124,606) (US$ (4,133) thousand)	100.00	$ (180,653) (US$ (5,992) thousand)	$ 3,003,958 (US$ 97,801 thousand)	$ -
Rich Optronics (Yangzhou) Co., Ltd.	Assembly of LCD flat panels	921,450 (US$ 30,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	921,450 (US$ 30,000 thousand)	-	-	921,450 (US$ 30,000 thousand)	13,597 (US$ 451 thousand)	100.00	13,597 (US$ 451 thousand)	804,426 (US$ 26,190 thousand)	-
Transyork Technology Yangzhou Ltd.	Assembly of LCD flat panels	2,209,361 (US$ 71,931 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	13,718 (US$ 455 thousand)	100.00	3,859 (US$ 128 thousand)	1,728,272 (US$ 56,268 thousand)	-
Transyang Electronics (Yangzhou) Ltd. (Under liquidation)	Assembly of LCD flat panels	122,860 (US$ 4,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	122,860 (US$ 4,000 thousand)	-	-	122,860 (US$ 4,000 thousand)	6,995 (US$ 232 thousand)	100.00	6,995 (US$ 232 thousand)	111,956 (US$ 3,645 thousand)	-
Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of LCD monitors	304,570 (US$ 9,916 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	203,026 (US$ 6,610 thousand)	-	-	203,026 (US$ 6,610 thousand)	21,557 (US$ 715 thousand)	100.00	21,557 (US$ 715 thousand)	46,288 (US$ 1,507 thousand)	-
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	571,299 (US$ 18,600 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	92,145 (US$ 3,000 thousand)	-	-	92,145 (US$ 3,000 thousand)	(48,118) (US$ (1,596) thousand)	100.00	(48,118) (US$ (1,596) thousand)	(889,506) (US$ (28,960) thousand)	-
Dihao Electronics (Yangzhou) Co., Ltd. (Under liquidation)	Assembly of LCD backlight board display modules	153,575 (US$ 5,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	53,751 (US$ 1,750 thousand)	-	-	53,751 (US$ 1,750 thousand)	-	35.00	-	-	-
NTX Electronics Yangzhou Co., Ltd.	Manufacture and sale of flat panels	179,013 (RMB 40,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	(9,170) (RMB (2,011) thousand)	49.00	(5,054) (RMB (985) thousand)	82,798 (RMB 18,502 thousand)	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 4,736,406 (US$ 154,205 thousand)	$ 8,293,388 (US$ 270,011 thousand)	$ 17,848,914

Note 1: The amounts are translated at the exchange rate of US$1=NT$30.715 and RMB1=NT$4.47532 on December 31, 2018.

Note 2: The amounts are translated at the average exchange rate of US$1=NT$$30.149 and RMB1=NT$$4.55988 for the year ended December 31, 2018.

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

Note 4: Information on the prices, terms of payment and unrealized profit or loss of significant transactions with investee companies in mainland China are provided in Tables 1, 5 and 6.

Note 5: All intercompany transactions have been eliminated upon consolidation, except NTX Electronics Yangzhou Co., Ltd.

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No	Company Name	Related Party	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Accounts receivable from related parties	$ 1,023,776	By agreements	2.8
		Prime View Communications Ltd.	Subsidiary	Sales	4,476,536	By agreements	31.5
		PVI International Corp.	Subsidiary	Sales	1,582,887	By agreements	11.1
		Tech Smart Logistics Ltd.	Subsidiary	Accounts payable to related parties	660,143	By agreements	1.8
		E Ink Corporation	Subsidiary	Cost of goods sold	3,380,747	By agreements	23.8
		SiPix Technology Inc.	Subsidiary	Sales	1,139,853	By agreements	8.0
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Accounts receivable from related parties	1,794,006	By agreements	4.9
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Accounts payable to related parties	1,166,467	By agreements	3.2
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Cost of goods sold	898,466	By agreements	6.3
		Transyork Technology Yangzhou Ltd.	Subsidiary	Accounts payable to related parties	1,107,113	By agreements	3.0
		Transyork Technology Yangzhou Ltd.	Subsidiary	Cost of goods sold	1,442,485	By agreements	10.2
1	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Subsidiary	Other receivables from related parties	964,062	By agreements	2.6

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

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