E Ink Holdings Inc.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
E Ink Holdings Inc.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matter

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

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

<u>Impairment of Goodwill Included in the Investments in Subsidiaries Accounted for Using the Equity Method</u>

As disclosed in Notes 4 and 11 as well as Table 7 to the financial statements, investments accounted for using the equity method include acquiring subsidiaries to obtain electronic ink research and development and manufacturing centers, as well as to integrate patents of ePaper techniques. Excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities at the date of acquisition was recorded as goodwill, which is material to the overall financial statements, therefore, management annually assesses the impairment of the excess of the cost in accordance with the IAS 36 “Impairment of Assets”.

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

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

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

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

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

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

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine a matter that was of most significance in the audit of the 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

<u>*Notice to Readers*</u>

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

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

E INK HOLDINGS INC.

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,166,960	3	$ 639,359	2
Accounts receivable (Notes 4 and 9)	676,905	2	256,077	1
Accounts receivable from related parties (Notes 4 and 24)	3,210,369	9	4,262,113	12
Inventories (Notes 4 and 10)	1,676,864	5	1,913,792	6
Prepayments	114,487	1	101,863	-
Other current assets (Notes 4, 18, 24 and 25)	73,796	-	86,113	-
Total current assets	6,919,381	20	7,259,317	21
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 7)	1,120,180	3	-	-
Available-for-sale financial assets (Notes 4 and 8)	-	-	1,077,878	3
Investments accounted for using the equity method (Notes 4 and 11)	25,350,261	72	23,992,123	70
Property, plant and equipment (Notes 4 and 12)	1,376,998	4	1,435,385	4
Other intangible assets (Note 4)	254,224	-	209,607	1
Deferred tax assets (Notes 4 and 18)	259,469	1	204,676	1
Other non-current assets (Note 4)	53,888	-	53,218	-
Total non-current assets	28,415,020	80	26,972,887	79
TOTAL	$ 35,334,401	100	$ 34,232,204	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	$ 1,230,000	4	$ 228,800	1
Short-term bills payable (Note 13)	399,812	1	-	-
Contract liabilities (Notes 4 and 16)	203,605	1	-	-
Notes and accounts payable	1,181,788	3	1,810,318	5
Accounts payable to related parties (Note 24)	3,173,821	9	4,074,739	12
Other payables (Note 21)	588,257	2	604,396	2
Other payables to related parties (Notes 21 and 24)	257,880	1	14,885	-
Current tax liabilities (Notes 4 and 18)	93,272	-	123,943	-
Receipts in advance (Notes 4 and 24)	71,185	-	301,798	1
Other current liabilities	59,674	-	35,776	-
Total current liabilities	7,259,294	21	7,194,655	21
NON-CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 16)	65,806	-	-	-
Net defined benefit liabilities (Notes 4 and 14)	64,818	-	55,892	-
Other non-current liabilities (Notes 4, 18 and 24)	15,838	-	49,159	-
Total non-current liabilities	146,462	-	105,051	-
Total liabilities	7,405,756	21	7,299,706	21
EQUITY (Notes 14, 15 and 20)				
Share capital	11,404,677	32	11,404,677	33
Capital surplus	10,243,293	29	10,108,119	30
Retained earnings				
Legal reserve	1,512,287	4	1,304,481	4
Special reserve	70,678	-	70,678	-
Unappropriated earnings	5,138,085	15	4,246,203	13
Total retained earnings	6,721,050	19	5,621,362	17
Other equity	(255,475)	(1)	106,609	-
Treasury shares	(184,900)	-	(308,269)	(1)
Total equity	27,928,645	79	26,932,498	79
TOTAL	$ 35,334,401	100	$ 34,232,204	100

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

E INK HOLDINGS INC.

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 16 and 24)	$ 12,773,679	100	$ 13,905,359	100
OPERATING COSTS (Notes 10, 17 and 24)	10,582,105	83	11,256,560	81
GROSS PROFIT	2,191,574	17	2,648,799	19
UNREALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES	(1,492)	-	(2,314)	-
REALIZED GROSS PROFIT	2,190,082	17	2,646,485	19
OPERATING EXPENSES (Notes 17 and 24)				
Selling and marketing expenses	381,269	3	264,124	2
General and administrative expenses	757,525	6	759,309	5
Research and development expenses	794,738	6	688,278	5
Total operating expenses	1,933,532	15	1,711,711	12
INCOME FROM OPERATIONS	256,550	2	934,774	7
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Interest income	4,279	-	6,499	-
Royalty income (Note 16)	241,696	2	201,774	2
Dividend income	51,892	-	32,151	-
Other income	42,744	-	45,586	-
Interest expenses (Notes 12 and 24)	(14,688)	-	(9,984)	-
Share of profit of subsidiaries accounted for using the equity method	2,119,710	17	1,006,612	7
Net gain (loss) on disposal of property, plant and equipment	(1,316)	-	42,842	-
Net gain (loss) on foreign currency exchange (Note 27)	56,663	1	(28,301)	-
Impairment loss (Notes 4 and 12)	(86,805)	(1)	-	-
Other expenses	(3,342)	-	-	-
Total non-operating income and expenses	2,410,833	19	1,297,179	9
INCOME BEFORE INCOME TAX	2,667,383	21	2,231,953	16
INCOME TAX EXPENSE (Notes 4 and 18)	(53,710)	-	(153,888)	(1)
NET INCOME FOR THE YEAR	2,613,673	21	2,078,065	15

(Continued)

E INK HOLDINGS INC.

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 14)	$ (11,060)	-	$ (6,853)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	42,302	1	-	-
Share of other comprehensive loss of subsidiaries accounted for using the equity method	(474,417)	(4)	(211)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 18)	4,226	-	1,165	-
	(438,949)	(3)	(5,899)	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	-	-	97,714	1
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	61,295	-	(479,725)	(4)
	61,295	-	(382,011)	(3)
Other comprehensive loss for the year, net of income tax	(377,654)	(3)	(387,910)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,236,019	18	$ 1,690,155	12
EARNINGS PER SHARE (Note 19)				
Basic	$ 2.32		$ 1.85	
Diluted	$ 2.31		$ 1.85	

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

E INK HOLDINGS INC.

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

	Share Capital			Retained Earnings			Other Equity				
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating 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
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
Appropriation of 2016 earnings											
Legal reserve	-	-	-	190,794	-	(190,794)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,680,702)	-	-	-	-	(1,680,702)
Net income for the year ended December 31, 2017	-	-	-	-	-	2,078,065	-	-	-	-	2,078,065
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(5,899)	(504,327)	122,316	-	-	(387,910)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	2,072,166	(504,327)	122,316	-	-	1,690,155
Difference between actual consideration paid and carrying amount of subsidiaries acquired	-	-	(2,223)	-	-	(255,601)	-	-	-	-	(257,824)
Share-based payments	-	-	38,825	-	-	-	-	-	-	-	38,825
Treasury shares transferred to employees	-	-	(166)	-	-	-	-	-	-	52,195	52,029
BALANCE AT DECEMBER 31, 2017	1,140,468	11,404,677	10,108,119	1,304,481	70,678	4,246,203	(242,623)	349,232	-	(308,269)	26,932,498
Effect of retrospective application	-	-	-	-	-	327,468	-	(349,232)	376,899	-	355,135
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
Appropriation of 2017 earnings											
Legal reserve	-	-	-	207,806	-	(207,806)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,853,550)	-	-	-	-	(1,853,550)
Unclaimed dividends extinguished by prescription	-	-	14	-	-	-	-	-	-	-	14
Net income for the year ended December 31, 2018	-	-	-	-	-	2,613,673	-	-	-	-	2,613,673
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(6,052)	61,295	-	(432,897)	-	(377,654)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	2,607,621	61,295	-	(432,897)	-	2,236,019
Share-based payments	-	-	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
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

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

E INK HOLDINGS INC.

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,667,383	$ 2,231,953
Adjustments for		
Depreciation expenses	240,682	240,562
Amortization expenses	39,643	25,735
Expected credit loss recognized on accounts receivable	1,120	-
Interest expenses	14,688	9,984
Interest income	(4,279)	(6,499)
Dividend income	(51,892)	(32,151)
Compensation costs of share-based payments	91,454	20,257
Share of profit of subsidiaries accounted for using the equity method	(2,119,710)	(1,006,612)
Net loss (gain) on disposal of property, plant and equipment	1,316	(42,842)
Net gain on disposal of investments	-	(2,775)
Impairment loss	86,805	-
Write-downs of (reversal of) inventories	217,212	(13,244)
Unrealized loss on transactions with subsidiaries	1,492	2,314
Net unrealized loss (gain) on foreign currency exchange	30,515	(53,660)
Royalty income	(241,696)	(201,774)
Changes in operating assets and liabilities		
Accounts receivable	(423,076)	227,144
Accounts receivable from related parties	1,106,122	(1,097,866)
Inventories	19,716	(984,235)
Prepayments	(102,474)	(13,335)
Other current assets	(12,470)	(10,936)
Contract liabilities	340,470	-
Notes and accounts payable	(638,927)	852,434
Accounts payable to related parties	(969,117)	190,578
Other payables	(46,591)	94,104
Receipts in advance	(90,006)	458,137
Other current liabilities	25,409	8,918
Net defined benefit liabilities	(2,134)	(2,504)
Cash generated from operations	181,655	893,687
Income tax paid	(137,519)	(21,344)
Net cash generated from operating activities	44,136	872,343
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(279,998)
Proceeds from disposal of financial assets measured at cost	-	25,080
Acquisition of property, plant and equipment	(176,100)	(131,298)
Proceeds from disposal of property, plant and equipment	72	48,784
Decrease in other receivables from related parties	26,481	52,946
Acquisition of other intangible assets	(67,646)	(34,290)
Increase in other non-current assets	(674)	(977)

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E INK HOLDINGS INC.

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

	2018	2017
Interest received	$ 4,171	$ 6,531
Dividends received	798,083	613,674
Net cash generated from investing activities	584,387	300,452
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	999,900	230,100
Increase in short-term bills payable	399,812	-
Increase in other payables to related parties	244,802	-
Increase (decrease) in other non-current liabilities	(566)	1,688
Cash dividends	(1,853,550)	(1,680,702)
Proceeds from treasury shares transferred to employees	122,977	52,029
Interest paid	(14,311)	(9,772)
Proceeds from unclaimed dividends extinguished by prescription	14	-
Net cash used in financing activities	(100,922)	(1,406,657)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	527,601	(233,862)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	639,359	873,221
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,166,960	$ 639,359

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

E INK HOLDINGS INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The financial statements of the Company are presented in New Taiwan dollars, the functional currency of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 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 Company'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 Company 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 Company’s financial assets under IAS 39 and IFRS 9 on January 1, 2018 is detailed below:

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 639,359	$ 639,359	a)
Equity securities	Available-for-sale financial assets (including financial assets measured at cost)	Fair value through other comprehensive income	1,077,878	1,077,878	b)
Accounts receivable and other receivables	Loans and receivables	Amortized cost	4,565,648	4,565,648	a)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at fair value through other comprehensive income	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale financial assets (IAS 39)	-	1,077,878	-	1,077,878	-	-	b)
	-	1,077,878	-	1,077,878	-	-	
Financial assets at amortized cost	-	-	-	-	-	-	
Add: Reclassification from cash and cash equivalents (IAS 39)	-	639,359	-	639,359	-	-	a)
Add: Reclassification from accounts receivable and other receivables (IAS 39)	-	4,565,648	-	4,565,648	-	-	a)
	-	5,205,007	-	5,205,007	-	-	
Investments accounted for using the equity method	23,992,123	-	69,274	24,061,397	41,607	27,667	b)
	$ 23,992,123	$ 6,282,885	$ 69,274	$ 30,344,282	$ 41,607	$ 27,667	

a) Cash and cash equivalents, accounts receivable and other receivables (included in other current assets) 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 $1,077,878 thousand were classified as available-for-sale financial assets under IAS 39. Because these investments are not held for trading, the Company 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.

   In addition, the subsidiaries’ 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 investments accounted for using the equity method and other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

   The subsidiaries 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.

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 Company is a right to use the Company’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 Company 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
Total effect on assets - investments accounted for using the equity method	$ 23,992,123	$ 285,861	$ 24,277,984
Contract liabilities - current	$ -	$ 140,607	$ 140,607
Receipts in advance	301,798	(140,607)	161,191
Contract liabilities - non-current	-	30,030	30,030
Other non-current liabilities	49,159	(30,030)	19,129
Total effect on liabilities	$ 350,957	$ -	$ 350,957
Total effect on equity - retained earnings	$ 5,621,362	$ 285,861	$ 5,907,223

Had the Company 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
Assets - increase in investments accounted for using the equity method	$ 250,254
Increase in contract liabilities - current	$ 203,605
Decrease in receipts in advance	(203,605)
Increase in contract liabilities - non-current	65,806
Decrease in other non-current liabilities	(65,806)
Decrease in liabilities	$ -
Equity - increase in retained earnings	$ 250,254

Impact on total comprehensive income for current year

	For the Year Ended December 31, 2018
Net income for the year - decrease in share of profit of subsidiaries accounted for using the equity method	$ (35,607)
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 Company 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 Company's accounting policies:

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company 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 Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the 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 statements of comprehensive income, the Company 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 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 statements of cash flows.

The Company 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 Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

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

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

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

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

The Company as lessor

The Company 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	$ -	$ 867,223	$ 867,223
Other non-current assets	53,888	(817)	53,071
Total effect on assets	$ 53,888	$ 866,406	$ 920,294
Lease liabilities - current	$ -	$ 20,616	$ 20,616
Lease liabilities - non-current	-	845,790	845,790
Total effect on liabilities	$ -	$ 866,406	$ 866,406

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

c. New IFRSs in issue 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 Company 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 Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Foreign currencies

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

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries 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 or loss.

e. Inventories

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

f. Investment in subsidiaries

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

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

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

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

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

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

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

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

Profits or losses resulting from downstream transactions are eliminated in full in the financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured 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.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual 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) Derecognition of intangible assets

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

i. Impairment of tangible and intangible assets

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

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

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

j. 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.

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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 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.

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 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 Company 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 Company’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: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

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

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

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

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

ii. Loans and receivables

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

b) Impairment of financial assets

<u>2018</u>

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

The Company always recognizes lifetime Expected Credit Loss (ECL) for accounts receivable. For all other financial instruments, the Company 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 Company 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 Company 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.

2017

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 Company's past experience with collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For 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.

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

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

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

l. Provisions

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

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

m. Revenue recognition

2018

The Company 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 Company 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 Company can remain functional without any updates or technical support and the Company 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 Company recognizes revenue at the point in time at which the license of patented technology transfers. If the Company 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 Company recognizes revenue on a straight-line basis over the life of the agreements. Royalties receivable that the Company does not have a present right to payment of the royalties is recorded as contract assets and reclassified to accounts receivable after the Company 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.

<u>2017</u>

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Royalties

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

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 Company and the amount of income can be measured reliably.

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

n. 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.

o. 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.

p. 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 Company's defined benefit plans.

q. Share-based payment arrangements

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting year 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 year 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 year. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of Investments Accounted for Using the Equity Method

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	$ 183	$ 171
Checking accounts and demand deposits	792,459	639,188
Cash equivalents - repurchase agreements collateralized by bonds	374,318	-
	$ 1,166,960	$ 639,359

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

	December 31	
	2018	2017
Demand deposits	0.01-0.55%	0.07-0.65%
Repurchase agreements collateralized by bonds	0.55-2.8%	-

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

	December 31, 2018
Investments in equity instruments - non-current	
Domestic listed shares	$ 1,120,180

The Company 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 Company'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 and 8 for information relating to their reclassification and comparative information for 2017.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic investments	
Listed shares	$ 1,077,878

9. ACCOUNTS RECEIVABLE

	December 31	
	2018	2017
Gross carrying amount of accounts receivable	$ 678,025	$ 256,077
Less: Loss allowance	(1,120)	-
	$ 676,905	$ 256,077

For the year ended December 31, 2018

The Company recognizes impairment loss when there is actual credit loss from individual client. In addition, the Company 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 of accounts receivable.

December 31, 2018

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Gross carrying amount	$ 375,290	$ 299,597	$ 3,138	$ 678,025
Less: Loss allowance	-	-	1,120	1,120
Amortized cost	$ 375,290	$ 299,597	$ 2,018	$ 676,905

The movements of the loss allowance were as follows:

	For the year ended December 31, 2018
Balance at January 1, 2018	$ -
Expected credit loss recognized	1,120
Balance at December 31, 2018	$ 1,120

For the year ended December 31, 2017

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

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

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

The aging of accounts receivable was as follows:

	December 31, 2017
Not past due	$ 252,645
Past due in 1-90 days	1,667
Past due over 90 days	1,765
	$ 256,077

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	$ 1,667
Past due over 90 days	1,765
	$ 3,432

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

10. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 680,395	$ 877,724
Semi-finished goods	286,390	204,918
Work in progress	25,440	4,940
Raw materials	684,639	826,210
	$ 1,676,864	$ 1,913,792

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 $217,212 thousand and reversal of write-downs of inventories of $13,244 thousand, respectively. Previous write-downs were reversed as a result of the disposal of obsolete inventories.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 25,350,261	$ 23,992,123
Unlisted companies		
PVI Global Corp.	$ 11,109,595	$ 9,421,361
New Field e-Paper Co., Ltd.	5,701,683	5,614,948
E Ink Corporation	4,305,677	4,322,539
Yuen Yu Investment Co., Ltd.	1,819,546	2,282,800
SiPix Technology Inc.	2,010,330	1,966,524
Dream Universe Ltd.	371,562	353,281
Prime View Communications Ltd.	27,800	26,700
Tech Smart Logistics Ltd.	4,033	3,950
Hot Tracks International Ltd.	35	20
	$ 25,350,261	$ 23,992,123

	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
PVI Global Corp.	100.00%	100.00%
New Field e-Paper Co., Ltd.	100.00%	100.00%
E Ink Corporation	45.31%	45.31%
Yuen Yu Investment Co., Ltd.	100.00%	100.00%
SiPix Technology Inc.	100.00%	100.00%
Dream Universe Ltd.	100.00%	100.00%
Prime View Communications Ltd.	100.00%	100.00%
Tech Smart Logistics Ltd.	0.09%	0.09%
Hot Tracks International Ltd.	100.00%	100.00%

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

These subsidiaries are included in the consolidated financial statements of the Company as of December 31, 2018 and 2017.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments as of December 31, 2018 and 2017 are based on the subsidiaries' audited financial statements of the corresponding year.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost					
Balance at January 1, 2017	$ 2,188,968	$ 6,352,741	$ 1,251,857	$ 18,813	$ 9,812,379
Additions	-	17,845	42,994	113,195	174,034
Disposals	(218,374)	(1,159,592)	(88,299)	-	(1,466,265)
Reclassifications	-	31,586	65,096	(100,558)	(3,876)
Balance at December 31, 2017	$ 1,970,594	$ 5,242,580	$ 1,271,648	$ 31,450	$ 8,516,272
Accumulated depreciation and impairment					
Balance at January 1, 2017	$ 1,388,709	$ 5,996,203	$ 915,736	$ -	$ 8,300,648
Depreciation expenses	37,965	98,923	103,674	-	240,562
Disposals	(218,374)	(1,153,650)	(88,299)	-	(1,460,323)
Balance at December 31, 2017	$ 1,208,300	$ 4,941,476	$ 931,111	$ -	$ 7,080,887
Carrying amount at December 31, 2017	$ 762,294	$ 301,104	$ 340,537	$ 31,450	$ 1,435,385
Cost					
Balance at January 1, 2018	$ 1,970,594	$ 5,242,580	$ 1,271,648	$ 31,450	$ 8,516,272
Additions	3,409	15,379	23,336	156,845	198,969
Disposals	-	(83,239)	(175,060)	-	(258,299)
Reclassifications	9,936	10,321	47,761	(84,692)	(16,674)
Balance at December 31, 2018	$ 1,983,939	$ 5,185,041	$ 1,167,685	$ 103,603	$ 8,440,268
Accumulated depreciation and impairment					
Balance at January 1, 2018	$ 1,208,300	$ 4,941,476	$ 931,111	$ -	$ 7,080,887
Depreciation expenses	38,597	87,856	114,229	-	240,682
Reversal of impairment losses	-	-	(1,388)	-	(1,388)
Disposals	-	(83,239)	(173,672)	-	(256,911)
Balance at December 31, 2018	$ 1,246,897	$ 4,946,093	$ 870,280	$ -	$ 7,063,270
Carrying amount at December 31, 2018	$ 737,042	$ 238,948	$ 297,405	$ 103,603	$ 1,376,998

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	56 years
Clean rooms and plumbing construction	25-36 years
Others	2-14 years
Machinery	1-9 years
Other equipment	1-26 years

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Line of credit borrowings	$ 1,230,000	$ 228,800
Foreign currency included (in thousands of USD)	$ -	$ 5,000
Interest rate intervals	0.98-1.04%	0.98-1.99%

b. Short-term bills payable

	December 31	
	2018	**2017**
Commercial paper	$ 400,000	$ -
Less: Discounts on bills payable	188	-
	$ 399,812	$ -
Interest rate intervals	0.62-0.82%	-

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit 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 amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 129,123	$ 113,743
Fair value of plan assets	(64,305)	(57,851)
Net defined benefit liabilities	$ 64,818	$ 55,892

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	$ 104,553	$ (53,010)	$ 51,543
Current service cost	977	-	977
Net interest expense (income)	1,438	(762)	676
Recognized in profit or loss	2,415	(762)	1,653
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	78	78
Actuarial loss - changes in demographic assumptions	4,256	-	4,256
Actuarial loss - experience adjustments	2,519	-	2,519
Recognized in other comprehensive income	6,775	78	6,853
Contributions from the employer	-	(4,157)	(4,157)
Balance at December 31, 2017	113,743	(57,851)	55,892
Current service cost	1,291	-	1,291
Net interest expense (income)	1,564	(824)	740
Recognized in profit or loss	2,855	(824)	2,031
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	3,832	-	3,832
Actuarial loss - experience adjustments	5,988	-	5,988
Recognized in other comprehensive income	12,525	(1,465)	11,060
Contributions from the employer	-	(4,165)	(4,165)
Balance at December 31, 2018	$ 129,123	$ (64,305)	$ 64,818

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

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

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

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

	December 31	
	2018	**2017**
Discount rates		
0.25% increase	$ (3,897)	$ (3,567)
0.25% decrease	$ 4,063	$ 3,723
Expected rates of salary increase		
0.25% increase	$ 3,925	$ 3,604
0.25% decrease	$ (3,785)	$ (3,473)

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 plan for the next year	$ 4,298	$ 4,134
Average duration of the defined benefit obligation	12 years	13 years

15. 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
Change 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 effects of changes in ownership interests 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 17.

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

The 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
Share of exchange differences of subsidiaries accounted for using the equity method	61,295	(504,327)
Balance at December 31	$ (181,328)	$ (242,623)

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

	For the Year Ended December 31, 2017
Balance at January 1, 2017	$ 226,916
Unrealized gain on available-for-sale financial assets	97,714
Share of unrealized gain on available-for-sale financial assets of subsidiaries accounted for using the equity method	24,602
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 gain on equity instruments	42,302
Share of subsidiaries accounted for using the equity method	(475,199)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal resulting from subsidiaries accounted for using the equity method	(18,149)
Balance at December 31	$ (74,147)

f. Treasury shares

Unit: Shares in Thousands

	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 rights to dividends and to vote.

16. 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	$ 10,095,884
Electronic shelf labels	2,221,692
Others	456,103
	$ 12,773,679

b. Contract balances

	December 31, 2018
Accounts receivable (Note 9)	$ 676,905
Contract liabilities	
Sale of goods	$ 116,760
Royalty	86,845
Contract liabilities - current	203,605
Contract liabilities - non-current	
Royalty	65,806
	$ 269,411

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	$ 88,871
Revenue from sale of goods	51,736
	$ 140,607

17. NET INCOME FOR THE YEAR

Components of net income for the year were as follows:

a. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 240,682	$ 240,562
Other intangible assets	39,643	25,723
Other non-current assets	-	12
	$ 280,325	$ 266,297
An analysis of depreciation by function		
Operating costs	$ 134,763	$ 146,445
Operating expenses	105,919	94,117
	$ 240,682	$ 240,562
An analysis of amortization by function		
Operating expenses	$ 39,643	$ 25,735

b. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (Note 14)		
Defined contribution plans	$ 42,218	$ 37,946
Defined benefit plans	2,031	1,653
	44,249	39,599
Share-based payments		
Equity-settled	91,454	20,257
Other employee benefits	1,112,700	1,019,507
Total employee benefits expense	$ 1,248,403	$ 1,079,363

(Continued)

	For the Year Ended December 31	
	2018	**2017**
An analysis of employee benefits expense by function		
Operating costs	$ 198,082	$ 163,031
Operating expenses	1,050,321	916,332
	$ 1,248,403	$ 1,079,363

(Concluded)

	For the Year Ended December 31					
	2018			**2017**		
	Amount of Operating Costs	**Amount of Operating Expenses**	**Total**	**Amount of Operating Costs**	**Amount of Operating Expenses**	**Total**
Salaries	$ 165,696	$ 909,946	$ 1,075,642	$ 133,994	$ 786,867	$ 920,861
Labor and health insurance	13,794	56,103	69,897	12,891	52,825	65,716
Pension	7,241	37,008	44,249	6,689	32,910	39,599
Director's emoluments	-	13,273	13,273	-	14,055	14,055
Other employee benefits	11,351	33,991	45,342	9,457	29,675	39,132
Total employee benefits expense	$ 198,082	$ 1,050,321	$ 1,248,403	$ 163,031	$ 916,332	$ 1,079,363

As of December 31, 2018 and 2017, the Company had 932 and 879 employees, respectively, among which were 4 and 5 non-employee directors, and the basis of calculation of their benefits expense was consistent with the employee benefits expense.

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 profit 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 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 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.

18. INCOME TAX

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	$ 106,753	$ 143,278
Adjustments for the prior years	249	(26,259)
	107,002	117,019
Deferred tax		
In respect of the current year	(22,255)	36,869
Effect of tax rate changes	(31,037)	-
	(53,292)	36,869
Income tax expense recognized in profit or loss	$ 53,710	$ 153,888

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

	For the Year Ended December 31	
	2018	2017
Income before income tax	$ 2,667,383	$ 2,231,953
Income tax expense calculated at the statutory rate	$ 533,477	$ 379,432
Nondeductible expenses in determining taxable income	5,596	4,137
Tax-exempt income	(434,320)	(177,187)
Unrecognized loss carryforwards deductible temporary differences and investment credits	(20,255)	(26,235)
Effect of tax rate changes	(31,037)	-
Adjustments for the prior year	249	(26,259)
Income tax expense recognized in profit or loss	$ 53,710	$ 153,888

In 2017, the applicable corporate income tax rate of the Company 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%.

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	$ (2,212)	$ (1,165)
Deferred tax - effect of tax rate changes	(2,014)	-
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 (included in other current assets)		
Tax refund receivable	$ 1,775	$ 1,929
Current tax liabilities		
Income tax payable	$ 93,272	$ 123,943

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Inventories	$ 126,686	$ 38,873	$ -	$ 165,559
Property, plant and equipment	26,564	(228)	-	26,336
Prepayments	-	17,639	-	17,639
Defined benefit plans	11,413	-	4,226	15,639
Deferred revenue	27,706	(13,171)	-	14,535
Others	12,307	7,454	-	19,761
	$ 204,676	$ 50,567	$ 4,226	$ 259,469
Deferred tax liabilities				
Temporary differences				
Other	$ 17,389	$ (2,725)	$ -	$ 14,664

For the year ended December 31, 2017

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

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax liabilities				
Temporary differences				
Other	$ 4,783	$ 12,606	$ -	$ 17,389

(Concluded)

e. 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 $8,322,470 thousand and $6,466,056 thousand, respectively.

f. Income tax assessments

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

19. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	$ 2.32	$ 1.85
Diluted earnings per share	$ 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:

	For the Year Ended December 31	
	2018	2017
Net income for the year	$ 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 Company offered to settle compensation paid to employees in cash or shares, the Company 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.

20. 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 thousands 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 $91,454 thousand and $20,257 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

21. NON-CASH TRANSACTIONS

For the years ended December 31, 2018 and 2017, the Company 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	$ 198,969	$ 174,034
Increase in payables for construction and equipment (Note)	(22,869)	(42,736)
Cash paid	$ 176,100	$ 131,298

Note: Recorded as other payables and other payables to related parties.

22. CAPITAL MANAGEMENT

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

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

23. FINANCIAL INSTRUMENTS

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

The financial statements include unlisted shares measured at cost for the year ended 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 Company had fair values which could not be reliably measured. Therefore, they were measured at cost. Such investments were classified as financial assets at FVTPL under IFRS 9 for the year ended December 31, 2018.

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 FVTOCI				
Investments in equity instruments				
Domestic listed shares	$ 1,120,180	$ -	$ -	$ 1,120,180

December 31, 2017

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

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

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (Note 1)	$ -	$ 5,205,007
Available-for-sale financial assets (Note 2)	-	1,077,878
Amortized cost (Note 3)	5,089,339	-
Equity instruments at FVTOCI	1,120,180	-
Financial liabilities		
Amortized cost (Note 4)	6,831,558	6,733,138

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, accounts receivable (including related parties) and other receivables (including related parties) (recorded as other current 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 (including related parties) and other receivables (including related parties) (recorded as other current assets).

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

d. Financial risk management objectives and policies

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

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other market-related factors.

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign-currency-denominated monetary assets and monetary liabilities at the end of the reporting years are set out in Note 27.

Sensitivity analysis

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

The following details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (NTD) against 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 against USD, post-tax income for the years ended December 31, 2018 and 2017 would increase by $4,502 thousand and $8,786 thousand, respectively. For a 1% weakening of NTD against USD, there would be an equal and opposite impact on post-tax income.

b) Interest rate risk

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

	December 31	
	2018	**2017**
Cash flow interest rate risk		
Financial assets	$ 792,459	$ 639,188

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting 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 Company's post-tax cash inflows for the years ended December 31, 2018 and 2017 would increase $3,170 thousand and $2,653 thousand, respectively, because of the Company'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 post-tax cash inflows.

c) Other price risk

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

Sensitivity analysis

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

If the price in equity securities had been 5% higher/lower, the other comprehensive income before income tax for the year ended December 31, 2018 would have increased/decreased by $56,009 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 $53,894 thousand, respectively, due to the increase/decrease in fair value of available-for-sale financial assets.

The Company's sensitivity to investments in 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 a financial loss to the Company. As of the end of the reporting years, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

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

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

The Company adopted a policy of only dealing with creditworthy counterparties, 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.

The Company transacts with a large number of unrelated customers, and therefore no concentration of credit risk was observed.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company's unutilized short-term bank borrowing facilities were $2,945,870 thousand and $2,700,000 thousand, respectively.

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

Non-derivative financial liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Fixed interest rate liabilities	$ 1,500,907	$ 130,321	$ -	$ -	$ -

December 31, 2017

Non-derivative financial liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Fixed interest rate liabilities	$ 229,097	$ -	$ -	$ -	$ -

24. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Name	Related party Category
SiPix Technology Inc.	Subsidiary
Yuen Yu Investment Co., Ltd.	Subsidiary
New Field e-Paper Co., Ltd.	Subsidiary
YuanHan Materials Inc.	Subsidiary
Linfiny Corporation	Subsidiary
Transyork Technology Yangzhou Ltd.	Subsidiary
Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary
Rich Optronics (Yangzhou) Co., Ltd.	Subsidiary
Transmart Electronics (Yangzhou) Ltd.	Subsidiary
Tech Smart Logistics Ltd.	Subsidiary
PVI International Corp.	Subsidiary
PVI Global Corp.	Subsidiary
Prime View Communications Ltd.	Subsidiary
Hydis Technologies Co., Ltd.	Subsidiary
Hot Tracks International Ltd.	Subsidiary
E Ink Corporation	Subsidiary
E Ink California, LLC	Subsidiary
E Ink Japan Inc.	Subsidiary
Dream Pacific International Corp.	Subsidiary
NTX Electronics Yangzhou Co., Ltd.	Associate
Yuen Foong Yu Biotech Co., Ltd.	Associate

(Continued)

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

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Subsidiary		
Prime View Communications Ltd.	$ 4,476,536	$ 4,962,180
PVI International Corp.	1,582,887	2,929,151
SiPix Technology Inc.	1,139,853	1,501,343
Others	30,357	75,748
	7,229,633	9,468,422
Associate	7,327	-
Subsidiaries of investor with significant influence over the Company	37	526
	$ 7,236,997	$ 9,468,948

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Subsidiary		
E Ink Corporation	$ 3,380,747	$ 3,812,117
Transyork Technology Yangzhou Ltd.	1,442,485	1,626,121
Transcend Optronics (Yangzhou) Co., Ltd.	898,466	92,913
Others	22,572	6,216
	5,744,270	5,537,367
Associate	627,823	427,035
Subsidiaries of investor with significant influence over the Company	58	24
Substantive related party	31	16
	$ 6,372,182	$ 5,964,442

d. Manufacturing cost (recorded as operating costs)

Related Party Category	For the Year Ended December 31 2018	2017
Subsidiary	$ 613,702	$ 282,104

e. Operating expenses

Related Party Category	For the Year Ended December 31 2018	2017
Subsidiary	$ 120,777	$ 123,523
Substantive related party	17,819	17,888
Associate	5,780	7,190
Investor and its subsidiaries with significant influence over the Company	1,422	3,465
	$ 145,798	$ 152,066

f. Receivables from related parties

Line Items	Related Party Category/Name	December 31 2018	2017
Accounts receivable	Subsidiary		
	Transcend Optronics (Yangzhou) Co., Ltd.	$ 1,794,006	$ -
	Prime View Communications Ltd.	1,023,776	891,061
	PVI International Corp.	136,546	313,451
	SiPix Technology Inc.	118,426	350,167
	Transyork Technology Yangzhou Ltd.	-	2,275,283
	Others	2,391	202,011
		3,075,145	4,031,973

(Continued)

Line Items	Related Party Category/Name	December 31 2018	December 31 2017
Accounts receivable	Associate	$ 135,200	$ 229,618
	Subsidiaries of investor with significant influence over the Company	24	522
		$ 3,210,369	$ 4,262,113
Other receivables (include in other current assets)	Subsidiary		
	E Ink Corporation	$ 3,257	$ 17,980
	Linfiny Corporation	1,144	10,679
	Others	314	310
		4,715	28,969
	Subsidiaries of investor with significant influence over the Company	-	557
		$ 4,715	$ 29,526

(Concluded)

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

g. Payables to related parties

Line Items	Related Party Category/Name	December 31 2018	December 31 2017
Accounts payable	Subsidiary		
	Transcend Optronics (Yangzhou) Co., Ltd.	$ 1,166,467	$ 23,904
	Transyork Technology Yangzhou Ltd.	1,107,113	2,810,857
	Tech Smart Logistics Ltd.	660,143	731,646
	E Ink Corporation	194,736	467,067
	Others	44,785	40,528
		3,173,244	4,074,002
	Investor and its subsidiaries with significant influence over the Company	325	721
	Associate	252	16
		$ 3,173,821	$ 4,074,739
Other payables	Subsidiary		
	E Ink Japan Inc.	$ 7,298	$ 11,711
	E Ink Corporation	-	1,887
		7,298	13,598
	Substantive related party	580	905
	Subsidiaries of investor with significant influence over the Company	2	382
		$ 7,880	$ 14,885

The outstanding payables to related parties were unsecured.

h. Receipts in advance

Related Party Category/Name	December 31 2018	December 31 2017
Subsidiary		
Transcend Optronics (Yangzhou) Co., Ltd.	$ 56,078	$ -
Transyork Technology Yangzhou Ltd.	15,107	162,977
Others	-	2
	$ 71,185	$ 162,979

i. 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

j. Loan from related parties (include in other payables to related parties)

Related Party Category/Name	December 31 2018	December 31 2017
Subsidiary		
SiPix Technology Inc.	$ 250,000	$ -

Interest expense

Related Party Category	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Subsidiary	$ 267	$ -

The Company obtained loans at rates comparable to market interest rates for the loans from related parties.

k. Endorsements and guarantees provided by related parties

Related Party Category/Name	December 31 2018	December 31 2017
Subsidiary		
E Ink Corporation	$ 860,020	$ 1,279,680
Yuen Yu Investment Co., Ltd.	800,000	-
Linfiny Corporation	360,000	-
PVI Global Corp.	-	59,520
Dream Pacific International Corp.	-	59,520
	$ 2,020,020	$ 1,398,720

l. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 103,764	$ 109,495
Post-employment benefits	1,318	1,188
Share-based payments	29,728	7,007
	$ 134,810	$ 117,690

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

25. ASSETS PLEDGED AS COLLATERAL

Assets amounting to $36,835 thousand and $36,679 thousand (included in other current assets) as of December 31, 2018 and 2017, respectively, were provided as tenancy deposits for renting plants and land and as guarantees of tariffs of imported goods.

26. 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 $4,370,000 thousand and $3,530,000 thousand as of December 31, 2018 and 2017, respectively.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company, 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	$ 154,954	30.715	$ 4,759,412
Non-monetary items			
Investments accounted for using equity method			
USD	413,088	30.715	$ 12,687,988
Foreign currency liabilities			
Monetary items			
USD	136,632	30.715	$ 4,196,652

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 167,595	29.76	$ 4,987,627
Non-monetary items			
Investments accounted for using equity method			
USD	365,217	29.76	$ 10,868,872
Foreign currency liabilities			
Monetary items			
USD	203,164	29.76	$ 6,046,161

For the years ended December 31, 2018 and 2017, net foreign exchange gains (losses), including both realized and unrealized portion, were $56,663 thousand and $(28,301) 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.

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investment in subsidiaries) (Table 3)

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

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

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

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

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

9) Trading in derivative instruments (None)

10) Information on investees (Table 7)

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

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, 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 year 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

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.

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.

TABLE 3

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.

TABLE 4

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.

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

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.

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: December 31, 2018	Original Investment Amount: December 31, 2017	Balance as of December 31, 2018: Shares (In Thousands)	Balance as of December 31, 2018: %	Balance as of December 31, 2018: Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss) of the Investee	Note
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	
	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)	
	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)	
	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)	
	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	
	Dream Universe Ltd.	Mauritius	Trading	128,710	128,710	4,050	100.00	371,562	12,366	12,366	
	Prime View Communications Ltd.	Hong Kong	Trading	18,988	18,988	3,570	100.00	27,800	282	282	
	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)	
	Hot Tracks International Ltd.	British Virgin Islands	Trading	1,735	1,735	50	100.00	35	15	15	
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)	
	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)	
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)	
	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)	
	Lucky Joy Holdings Ltd.	Samoa	Investment	36,117	36,117	1,098	100.00	12	-	-	
	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)	
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	
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	
	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	
	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	
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	
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	
	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	
	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	
	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	

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.

(Concluded)

E INK HOLDINGS INC.

THE CONTENTS OF STATEMENTS OF IMPORTANT ACCOUNTING ITEMS

STATEMENT 1

E INK HOLDINGS INC.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Period	Rate	Amount
Cash on hand (Note)		-	$ 183
Checking accounts and demand deposits (Note)			
Checking accounts		-	35
Demand deposits		0.01-0.55%	792,424
			792,459
Repurchase agreements collateralized by bonds (Note)	2018.12.24-2019.1.14	0.55-2.8%	374,318
			$ 1,166,960

Note: Including US$28,289 thousand and JPY59,251 thousand, which are translated at the exchange rate of US$1=NT$30.715 and JPY1=NT$0.2782, respectively.

E INK HOLDINGS INC.

STATEMENT OF INVENTORIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Finished goods	$ 924,561	$ 1,262,841
Semi-finished goods	357,900	440,530
Work in progress	27,608	31,100
Raw materials	1,074,365	1,213,361
	2,384,434	$ 2,947,832
Less: Allowance for write-downs of inventories (Note)	(707,570)	
	$ 1,676,864	

Note: Including allowance for obsolete inventories.

E INK HOLDINGS INC.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Except Unit Price)

	Balance, January 1, 2018		Increase in 2018		Unrealized	Fair Value on December 31, 2018 (Note)			
Type and Name of Marketable Securities	**Shares (In Thousands)**	**Amount**	**Shares (In Thousands)**	**Amount**	**Gain (Loss) on Financial assets**	**Shares (In Thousands)**	**Percentage of Ownership (%)**	**Unit Price**	**Amount**
Shares									
SinoPac Financial Holding Company Limited	88,678	$ 857,516	1,773	$ -	$ 74,134	90,451	0.80	$ 10.30	$ 931,650
YFY Inc.	7,814	109,005	-	-	(21,097)	7,814	0.47	11.25	87,908
Ultra Chip, Inc.	2,863	111,357	-	-	(10,735)	2,863	4.51	35.15	100,622
		$ 1,077,878		$ -	$ 42,302				$ 1,120,180

Note: Calculated based on the closing price on December 31, 2018.

E INK HOLDINGS INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2018 Shares (In Thousands)	Balance, January 1, 2018 Amount	Decrease in 2018 Shares (In Thousands)	Decrease in 2018 Amount	Share of Profit (Loss) of Subsidiaries Accounted for Using the Equity Method (Note 1)	Unrealized Loss on Transactions with Subsidiaries	Equity Adjustments (Note 2)	Balance, December 31, 2018 Shares (In Thousands)	Balance, December 31, 2018 Percentage of Ownership (%)	Balance, December 31, 2018 Amount
PVI Global Corp.	99,413	$ 9,421,361	-	$ -	$ 1,538,961	$ -	$ 149,273	99,413	100.00	$ 11,109,595
New Field e-Paper Co., Ltd.	671,032	5,614,948	-	-	(78,985)	-	165,720	671,032	100.00	5,701,683
E Ink Corporation	1	4,322,539	-	-	(66,177)	-	49,315	1	45.31	4,305,677
Yuen Yu Investment Co., Ltd.	152,433	2,282,800	-	-	(44,249)	-	(419,005)	152,433	100.00	1,819,546
SiPix Technology Inc. (Note 3)	-	1,966,524	-	(746,191)	757,551	(1,492)	33,938	-	100.00	2,010,330
Dream Universe Ltd.	4,050	353,281	-	-	12,366	-	5,915	4,050	100.00	371,562
Prime View Communications Ltd.	3,570	26,700	-	-	282	-	818	3,570	100.00	27,800
Tech Smart Logistics Ltd.	1,550	3,950	-	-	(54)	-	137	1,550	0.09	4,033
Hot Tracks International Ltd.	50	20	-	-	15	-	-	50	100.00	35
Entte K Co., Ltd. (under liquidation)	2,203	-	-	-	-	-	-	2,203	47.07	-
		$ 23,992,123		$ (746,191)	$ 2,119,710	$ (1,492)	$ (13,889)			$ 25,350,261

Note 1: The amounts were calculated based on audited financial statements of the corresponding year.

Note 2: Equity adjustments included capital surplus, exchange differences on translating the financial statements of foreign operations, unrealized gain or loss on financial assets at FVTOCI and retained earnings.

Note 3: The decrease in 2018 was due to distribution of cash dividends.

STATEMENT 5

E INK HOLDINGS INC.

STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Type	Contract Period	Interest Rate (%)	Amount	Loan Commitments
Credit borrowings				
Citibank Taiwan Ltd.	2018.12-2019.01	0.99	$ 530,000	$ 552,870
Taishin International Bank	2018.12-2019.01	0.98	500,000	500,000
Bank of Taiwan	2018.11-2019.02	1.00	130,000	400,000
KGI Commercial Bank Co., Ltd.	2018.12-2019.01	1.04	70,000	300,000
			$ 1,230,000	

E INK HOLDINGS INC.

STATEMENT OF NOTES AND ACCOUNTS PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Vendor A	$ 164,460
Vendor B	123,338
Vendor C	117,342
Vendor D	117,120
Vendor E	70,345
Vendor F	66,064
Others (Note)	523,119
	$ 1,181,788

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

STATEMENT 7

E INK HOLDINGS INC.

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Shipping Units (In Thousands)	Amount
Revenue from sale of goods		
Monitors	9,661	$ 10,160,735
Electronic shelf labels	9,367	2,230,547
Others	592	460,508
		12,851,790
Less: Sales returns and discounts		(78,111)
Operating revenue, net		$ 12,773,679

STATEMENT 8

E INK HOLDINGS INC.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials balance, beginning of year	$ 1,133,839
Add: Raw materials purchased	9,178,238
Less: Sales of raw materials	(182,638)
Transferred to other accounts	(178,306)
Raw materials, end of year	(1,074,365)
Usage of direct raw materials	8,876,768
Direct labor	44,660
Manufacturing expenses	984,726
Manufacturing cost	9,906,154
Add: Work in progress and semi-finished goods balance, beginning of year	282,479
Semi-finished goods purchased	572
Less: Sales of semi-finished goods	(527,284)
Transferred to other accounts	(142,454)
Work in progress and semi-finished goods balance, end of year	(385,508)
Cost of finished goods	9,133,959
Add: Finished goods balance, beginning of year	987,832
Finished goods purchased	874
Less: Transferred to other accounts	(42,260)
Finished goods balance, end of year	(924,561)
Cost of finished goods sold	9,155,844
Add: Cost of raw materials sold	182,638
Cost of semi-finished goods sold	527,284
Loss on idle capacity	284,279
Loss on scrapped inventories	214,848
Write-downs of inventories	217,212
Total operating costs	$ 10,582,105

E INK HOLDINGS INC.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Employee benefits expense	$ 192,978	$ 471,226	$ 386,117	$ 1,050,321
Professional service fee	105,655	41,022	28,283	174,960
Material expense	11,606	16,760	117,031	145,397
Depreciation expense	431	25,073	80,415	105,919
Testing and experimental expense	733	631	106,513	107,877
Travelling expense	22,893	18,249	14,305	55,447
Commission	26,396	-	-	26,396
Others (Note)	20,577	184,564	62,074	267,215
	$ 381,269	$ 757,525	$ 794,738	$ 1,933,532

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