

# **E Ink Holdings Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2018 and 2017 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
E Ink Holdings Inc.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of E Ink Holdings Inc. and its subsidiaries (collectively the Group) as of June 30, 2018 and 2017, the consolidated statements of comprehensive income for the three months ended June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the six months then ended and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement on Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As disclosed in Note 16 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of June 30, 2018 and 2017, the combined total assets of these non-significant subsidiaries were NT\$1,544,003 thousand and NT\$1,049,583 thousand, respectively, representing 4% and 3%, respectively, of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries were NT\$255,843 thousand and NT\$179,877 thousand, respectively, representing 2% and 2%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017, the amounts of combined comprehensive income (loss) of these non-significant subsidiaries were NT\$(24,968) thousand, NT\$(2,683) thousand, NT\$(45,317) thousand and NT\$37,444 thousand, respectively, representing 3%, 0%, 5% and 11%, respectively, of the consolidated total comprehensive income. Furthermore, the related information of the abovementioned non-significant subsidiaries as disclosed in Note 37 to the consolidated financial statements for the same reporting periods as those of the Group was also not reviewed.

## Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the aforementioned non-significant subsidiaries and the related information of these non-significant subsidiaries as disclosed in Note 37 to the consolidated financial statements been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2018 and 2017, its consolidated financial performance for the three months ended June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017 and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 14, 2018

### Notice to Readers

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

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

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018 (Reviewed)		December 31, 2017 (Audited)		June 30, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 4 and 6)	\$ 12,368,731	33	\$ 11,878,649	33	\$ 8,933,473	25
Financial assets at fair value through profit or loss (Notes 4 and 7)	-	-	-	-	115,654	-
Financial assets at amortized cost (Notes 4 and 9)	34,574	-	-	-	-	-
Contract assets (Notes 4 and 24)	136,784	-	-	-	-	-
Debt investments with no active market (Notes 4 and 12)	-	-	519,209	1	380,777	1
Accounts receivable (Notes 4, 13 and 33)	2,488,422	7	2,009,800	6	1,984,093	6
Other receivables (Notes 4 and 33)	34,150	-	325,740	1	648,870	2
Current tax assets (Note 4)	288,902	1	315,229	1	440,646	1
Inventories (Notes 4 and 14)	2,548,293	7	2,143,359	6	1,624,477	5
Prepayments (Note 33)	459,429	1	220,007	1	238,363	1
Non-current assets held for sale (Notes 4 and 15)	23,275	-	-	-	803,183	2
Other financial assets (Notes 4 and 6)	-	-	199,391	-	852,292	2
Other current assets (Notes 4 and 34)	139,107	1	136,356	-	697,406	2
Total current assets	<u>18,521,667</u>	<u>50</u>	<u>17,747,740</u>	<u>49</u>	<u>16,719,234</u>	<u>47</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	3,971,399	11	-	-	-	-
Available-for-sale financial assets (Notes 4 and 10)	-	-	2,749,317	8	2,598,414	7
Financial assets measured at cost (Notes 4 and 11)	-	-	267,981	1	294,310	1
Investments accounted for using the equity method (Note 4)	73,148	-	88,756	-	91,277	-
Property, plant and equipment (Notes 4, 15 and 17)	4,696,095	12	4,752,982	13	4,904,418	14
Goodwill (Notes 4 and 18)	6,760,255	18	6,702,636	19	6,756,962	19
Other intangible assets (Notes 4 and 18)	1,768,356	5	1,889,153	5	2,089,115	6
Deferred tax assets (Note 4)	1,178,423	3	1,425,249	4	1,545,034	5
Other non-current assets (Notes 33 and 34)	246,509	1	252,106	1	291,689	1
Total non-current assets	<u>18,694,185</u>	<u>50</u>	<u>18,128,180</u>	<u>51</u>	<u>18,571,219</u>	<u>53</u>
<b>TOTAL</b>	<u>\$ 37,215,852</u>	<u>100</u>	<u>\$ 35,875,920</u>	<u>100</u>	<u>\$ 35,290,453</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 19)	\$ 1,553,460	4	\$ 377,600	1	\$ 1,291,832	4
Short-term bills payable (Note 19)	300,000	1	-	-	-	-
Contract liabilities (Notes 4 and 24)	2,015,537	6	-	-	-	-
Notes and accounts payable (Note 33)	1,991,241	5	2,201,116	6	1,584,098	5
Other payables (Notes 20 and 30)	3,055,714	8	1,641,420	5	2,766,954	8
Current tax liabilities (Note 4)	48,174	-	153,649	-	46,106	-
Provisions (Notes 4 and 21)	24,446	-	637,781	2	428,686	1
Receipts in advance (Note 4)	-	-	1,701,659	5	2,179,406	6
Current portion of long-term borrowings (Note 19)	-	-	117,993	-	-	-
Other current liabilities (Notes 4 and 7)	59,646	-	40,334	-	79,124	-
Total current liabilities	<u>9,048,218</u>	<u>24</u>	<u>6,871,552</u>	<u>19</u>	<u>8,376,206</u>	<u>24</u>
<b>NON-CURRENT LIABILITIES</b>						
Contract liabilities (Notes 4 and 24)	1,131,402	3	-	-	-	-
Long-term borrowings (Note 19)	46,034	-	45,545	-	164,453	-
Deferred revenue - non-current (Note 4)	-	-	1,607,917	5	952,819	3
Net defined benefit liabilities (Note 4)	69,673	1	70,350	-	61,538	-
Other non-current liabilities (Notes 4 and 33)	61,844	-	53,661	-	39,566	-
Total non-current liabilities	<u>1,308,953</u>	<u>4</u>	<u>1,777,473</u>	<u>5</u>	<u>1,218,376</u>	<u>3</u>
Total liabilities	<u>10,357,171</u>	<u>28</u>	<u>8,649,025</u>	<u>24</u>	<u>9,594,582</u>	<u>27</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4, 23 and 28)</b>						
Share capital	11,404,677	31	11,404,677	32	11,404,677	32
Capital surplus	10,166,541	27	10,108,119	28	10,091,043	29
Retained earnings						
Legal reserve	1,512,287	4	1,304,481	4	1,304,481	4
Special reserve	70,678	-	70,678	-	70,678	-
Unappropriated earnings	3,506,587	10	4,246,203	12	3,129,687	9
Total retained earnings	<u>5,089,552</u>	<u>14</u>	<u>5,621,362</u>	<u>16</u>	<u>4,504,846</u>	<u>13</u>
Other equity	150,228	-	106,609	-	(163,004)	(1)
Treasury shares	(308,269)	(1)	(308,269)	(1)	(360,464)	(1)
Total equity attributable to owners of the Corporation	26,502,729	71	26,932,498	75	25,477,098	72
<b>NON-CONTROLLING INTERESTS (Notes 23 and 29)</b>	<u>355,952</u>	<u>1</u>	<u>294,397</u>	<u>1</u>	<u>218,773</u>	<u>1</u>
Total equity	<u>26,858,681</u>	<u>72</u>	<u>27,226,895</u>	<u>76</u>	<u>25,695,871</u>	<u>73</u>
<b>TOTAL</b>	<u>\$ 37,215,852</u>	<u>100</u>	<u>\$ 35,875,920</u>	<u>100</u>	<u>\$ 35,290,453</u>	<u>100</u>

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

(With Deloitte & Touche review report dated August 14, 2018)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 33)	\$ 3,611,856	100	\$ 3,690,105	100	\$ 6,509,490	100	\$ 6,907,971	100
OPERATING COSTS (Notes 14, 22, 25 and 33)	<u>2,251,606</u>	<u>62</u>	<u>2,209,176</u>	<u>60</u>	<u>4,040,611</u>	<u>62</u>	<u>4,180,858</u>	<u>60</u>
GROSS PROFIT	<u>1,360,250</u>	<u>38</u>	<u>1,480,929</u>	<u>40</u>	<u>2,468,879</u>	<u>38</u>	<u>2,727,113</u>	<u>40</u>
OPERATING EXPENSES (Notes 22, 25 and 33)								
Selling and marketing expenses	194,286	5	169,384	5	380,327	6	315,029	5
General and administrative expenses	676,271	19	605,941	16	1,368,881	21	1,211,170	18
Research and development expenses	<u>543,086</u>	<u>15</u>	<u>412,884</u>	<u>11</u>	<u>1,036,957</u>	<u>16</u>	<u>863,285</u>	<u>12</u>
Total operating expenses	<u>1,413,643</u>	<u>39</u>	<u>1,188,209</u>	<u>32</u>	<u>2,786,165</u>	<u>43</u>	<u>2,389,484</u>	<u>35</u>
INCOME (LOSS) FROM OPERATIONS	<u>(53,393)</u>	<u>(1)</u>	<u>292,720</u>	<u>8</u>	<u>(317,286)</u>	<u>(5)</u>	<u>337,629</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income (Notes 4 and 33)	31,598	1	21,023	1	48,983	1	37,918	-
Royalty income (Notes 4 and 24)	798,231	22	870,987	24	1,244,371	19	1,281,701	19
Other income (Note 33)	36,686	1	25,122	1	59,929	1	44,874	1
Interest expense (Note 17)	(13,555)	(1)	(7,109)	-	(16,276)	-	(9,879)	-
Share of loss of associates and joint ventures accounted for using the equity method	(9,356)	-	(5,409)	-	(16,711)	-	(5,513)	-
Net gain (loss) on foreign currency exchange (Note 36)	409,057	11	92,584	2	350,327	5	(301,338)	(4)
Net gain (loss) on fair value change of financial assets at fair value through profit or loss	(719)	-	11,973	-	(719)	-	101,457	1
Other expenses	<u>(5,663)</u>	<u>-</u>	<u>(18,641)</u>	<u>(1)</u>	<u>(40,905)</u>	<u>(1)</u>	<u>(37,255)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>1,246,279</u>	<u>34</u>	<u>990,530</u>	<u>27</u>	<u>1,628,999</u>	<u>25</u>	<u>1,111,965</u>	<u>16</u>

(Continued)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 1,192,886	33	\$ 1,283,250	35	\$ 1,311,713	20	\$ 1,449,594	21
INCOME TAX EXPENSE (Notes 4 and 26)	293,131	8	159,845	5	362,903	5	189,138	3
NET INCOME FROM CONTINUING OPERATIONS	899,755	25	1,123,405	30	948,810	15	1,260,456	18
NET LOSS FROM DISCONTINUED OPERATIONS (Notes 4 and 15)	-	-	(303,134)	(8)	-	-	(285,728)	(4)
NET INCOME FOR THE PERIOD	899,755	25	820,271	22	948,810	15	974,728	14
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(117,667)	(3)	-	-	(75,069)	(1)	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	-	-	-	-	2,014	-	-	-
	(117,667)	(3)	-	-	(73,055)	(1)	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	197,101	5	46,651	1	84,175	1	(610,478)	(9)
Unrealized loss on available-for-sale financial assets	-	-	(49,159)	(1)	-	-	(28,587)	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(337)	-	1,174	-	1,103	-	(3,401)	-
	196,764	5	(1,334)	-	85,278	1	(642,466)	(9)
Other comprehensive income (loss) for the period	79,097	2	(1,334)	-	12,223	-	(642,466)	(9)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 978,852	27	\$ 818,937	22	\$ 961,033	15	\$ 332,262	5

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## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME								
ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 861,249	24	\$ 798,309	22	\$ 902,413	14	\$ 955,650	14
Non-controlling interests	<u>38,506</u>	<u>1</u>	<u>21,962</u>	-	<u>46,397</u>	<u>1</u>	<u>19,078</u>	-
	<u>\$ 899,755</u>	<u>25</u>	<u>\$ 820,271</u>	<u>22</u>	<u>\$ 948,810</u>	<u>15</u>	<u>\$ 974,728</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 943,312	26	\$ 800,232	22	\$ 920,379	14	\$ 304,026	4
Non-controlling interests	<u>35,540</u>	<u>1</u>	<u>18,705</u>	-	<u>40,654</u>	<u>1</u>	<u>28,236</u>	<u>1</u>
	<u>\$ 978,852</u>	<u>27</u>	<u>\$ 818,937</u>	<u>22</u>	<u>\$ 961,033</u>	<u>15</u>	<u>\$ 332,262</u>	<u>5</u>
EARNINGS PER SHARE								
(Note 27)								
From continuing and discontinued operations								
Basic	<u>\$ 0.77</u>		<u>\$ 0.71</u>		<u>\$ 0.80</u>		<u>\$ 0.85</u>	
Diluted	<u>\$ 0.76</u>		<u>\$ 0.71</u>		<u>\$ 0.80</u>		<u>\$ 0.85</u>	
From continuing operations								
Basic	<u>\$ 0.77</u>		<u>\$ 0.97</u>		<u>\$ 0.80</u>		<u>\$ 1.09</u>	
Diluted	<u>\$ 0.76</u>		<u>\$ 0.97</u>		<u>\$ 0.80</u>		<u>\$ 1.09</u>	

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

(With Deloitte & Touche review report dated August 14, 2018)

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## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation											Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Shares	Total		
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at FVTOCI				
BALANCE AT JANUARY 1, 2017	1,140,468	\$ 11,404,677	\$ 10,071,683	\$ 1,113,687	\$ 70,678	\$ 4,301,134	\$ 261,704	\$ 226,916	\$ -	\$ (360,464)	\$ 27,090,015	\$ (876)	\$ 27,089,139
Appropriation of 2016 earnings													
Legal reserve	-	-	-	190,794	-	(190,794)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,680,702)	-	-	-	-	(1,680,702)	-	(1,680,702)
Net income for the six months ended June 30, 2017	-	-	-	-	-	955,650	-	-	-	-	955,650	19,078	974,728
Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	(623,037)	(28,587)	-	-	(651,624)	9,158	(642,466)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	955,650	(623,037)	(28,587)	-	-	304,026	28,236	332,262
Difference between actual consideration paid and carrying amount of subsidiaries acquired	-	-	(2,223)	-	-	(255,601)	-	-	-	-	(257,824)	191,413	(66,411)
Share-based payments	-	-	21,583	-	-	-	-	-	-	-	21,583	-	21,583
BALANCE AT JUNE 30, 2017	<u>1,140,468</u>	<u>\$ 11,404,677</u>	<u>\$ 10,091,043</u>	<u>\$ 1,304,481</u>	<u>\$ 70,678</u>	<u>\$ 3,129,687</u>	<u>\$ (361,333)</u>	<u>\$ 198,329</u>	<u>\$ -</u>	<u>\$ (360,464)</u>	<u>\$ 25,477,098</u>	<u>\$ 218,773</u>	<u>\$ 25,695,871</u>
BALANCED AT JANUARY 1, 2018	1,140,468	\$ 11,404,677	\$ 10,108,119	\$ 1,304,481	\$ 70,678	\$ 4,246,203	\$ (242,623)	\$ 349,232	\$ -	\$ (308,269)	\$ 26,932,498	\$ 294,397	\$ 27,226,895
Effect of retrospective application	-	-	-	-	-	417,313	-	(349,232)	376,899	-	444,980	20,901	465,881
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,140,468	11,404,677	10,108,119	1,304,481	70,678	4,663,516	(242,623)	-	376,899	(308,269)	27,377,478	315,298	27,692,776
Appropriation of 2017 earnings													
Legal reserve	-	-	-	207,806	-	(207,806)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,853,550)	-	-	-	-	(1,853,550)	-	(1,853,550)
Net income for the six months ended June 30, 2018	-	-	-	-	-	902,413	-	-	-	-	902,413	46,397	948,810
Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	2,014	91,021	-	(75,069)	-	17,966	(5,743)	12,223
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	904,427	91,021	-	(75,069)	-	920,379	40,654	961,033
Share-based payments	-	-	58,422	-	-	-	-	-	-	-	58,422	-	58,422
BALANCE AT JUNE 30, 2018	<u>1,140,468</u>	<u>\$ 11,404,677</u>	<u>\$ 10,166,541</u>	<u>\$ 1,512,287</u>	<u>\$ 70,678</u>	<u>\$ 3,506,587</u>	<u>\$ (151,602)</u>	<u>\$ -</u>	<u>\$ 301,830</u>	<u>\$ (308,269)</u>	<u>\$ 26,502,729</u>	<u>\$ 355,952</u>	<u>\$ 26,858,681</u>

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

(With Deloitte & Touche review report dated August 14, 2018)



# E INK HOLDINGS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax from continuing operations	\$ 1,311,713	\$ 1,449,594
Loss before income tax from discontinued operations	-	(285,728)
Income before income tax	<u>1,311,713</u>	<u>1,163,866</u>
Adjustments for:		
Depreciation expenses	337,722	388,502
Amortization expenses	202,352	203,848
Impairment loss recognized (expected credit loss reversed) on accounts receivable	(52)	7,668
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	719	(101,457)
Interest expense	16,276	9,879
Interest income	(48,983)	(37,918)
Compensation costs of share-based payments	58,422	21,583
Share of loss of associates and joint ventures accounted for using the equity method	16,711	5,513
Net loss (gain) on disposal of property, plant and equipment	2,211	(6,101)
Net gain on disposal of non-current assets held for sale	-	(7,357)
Net loss on disposal of investments	1,988	-
Impairment loss recognized (reversed) on non-financial assets	(122)	173,300
Write-downs of inventories	112,282	154,074
Net unrealized loss on foreign currency exchange	29,323	2,629
Changes in operating assets and liabilities		
Contract assets	195,390	-
Accounts receivable	(425,263)	(425,719)
Other receivables	205,071	(46,381)
Inventories	(438,125)	(421,718)
Prepayments	(234,411)	(5,591)
Other current assets	8,983	(417,963)
Contract liabilities	(50,351)	-
Notes and accounts payable	(275,981)	471,080
Other payables	(423,258)	(134,361)
Provisions	(603,800)	(48,519)
Receipts in advance	-	838,175
Other current liabilities	18,270	1,664
Net defined benefit liabilities	(379)	(2,792)
Cash generated from operations	<u>16,708</u>	<u>1,785,904</u>
Income tax paid	<u>(196,285)</u>	<u>(139,888)</u>
Net cash generated from (used in) operating activities	<u>(179,577)</u>	<u>1,646,016</u>

(Continued)

# E INK HOLDINGS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (958,494)	\$ -
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6,431	-
Acquisition of financial assets at amortized cost	(24,237)	-
Proceeds from disposal of financial assets at amortized cost	724,274	-
Acquisition of available-for-sale financial assets	-	(839,986)
Acquisition of debt investments with no active market	-	(377,111)
Proceeds from repayments of principal of debt investments with no active market	-	416,690
Disposal of subsidiaries	(633)	-
Proceeds from disposal of non-current assets held for sale	-	7,474
Acquisition of property, plant and equipment	(298,055)	(156,899)
Proceeds from disposal of property, plant and equipment	419	17,979
Acquisition of intangible assets	(64,038)	(90,930)
Increase in other financial assets	-	(837,328)
Increase in other non-current assets	3,377	4,495
Interest received	<u>54,146</u>	<u>35,352</u>
Net cash used in investing activities	<u>(556,810)</u>	<u>(1,820,264)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,167,745	862,796
Increase in short-term bills payable	300,000	-
Repayments of long-term borrowings	(118,148)	(122,700)
Increase in other non-current liabilities	4,413	2,706
Interest paid	(13,543)	(9,108)
Changes in non-controlling interest	<u>-</u>	<u>(66,411)</u>
Net cash generated from financing activities	<u>1,340,467</u>	<u>667,283</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(113,998)</u>	<u>(124,311)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	490,082	368,724
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>11,878,649</u>	<u>8,564,749</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 12,368,731</u>	<u>\$ 8,933,473</u>

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

(With Deloitte & Touche review report dated August 14, 2018)

(Concluded)

# **E INK HOLDINGS INC. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. GENERAL INFORMATION**

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

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

### **2. AUTHORIZATION OF FINANCIAL STATEMENTS**

The consolidated financial statements were reported to the board of directors and issued on August 14, 2018.

### **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

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

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

- 1) IFRS 9 "Financial Instruments" and related amendments

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 of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

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

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

  

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

- a) Cash and cash equivalents, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are classified as financial assets at amortized cost with an assessment of expected credit loss under IFRS 9.
- b) Equity securities investments of \$2,749,317 thousand were classified as available-for-sale financial assets under IAS 39. Because these investments are not held for trading, the Group elected to designate all of these investments as at FVTOCI under IFRS 9 and reclassified the related other equity - unrealized gain on available-for-sale financial assets of \$349,232 thousand to other equity - unrealized gain on financial assets at FVTOCI.

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

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

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

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations. Please refer to Note 4 for related accounting policies.

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

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract assets - current	\$ -	\$ 192,775	\$ 192,775
Other receivables	325,740	(81,879)	243,861
Contract assets - non current	<u>-</u>	<u>110,895</u>	<u>110,895</u>
Total effect on assets	<u>\$ 325,740</u>	<u>\$ 221,791</u>	<u>\$ 547,531</u>
Contract liabilities - current	\$ -	\$ 1,652,850	\$ 1,652,850
Receipts in advance	1,701,659	(1,701,659)	-
Contract liabilities - non current	-	1,481,910	1,481,910
Long-term deferred revenue	<u>1,607,917</u>	<u>(1,607,917)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 3,309,576</u>	<u>\$ (174,816)</u>	<u>\$ 3,134,760</u>
Retained earnings	\$ 5,621,362	\$ 375,706	\$ 5,997,068
Non-controlling interests	<u>294,397</u>	<u>20,901</u>	<u>315,298</u>
Total effect on equity	<u>\$ 5,915,759</u>	<u>\$ 396,607</u>	<u>\$ 6,312,366</u>

The impact of continuing the application of IAS 18 instead of IFRS 15 for the three months ended June 30, 2018 is detailed as follows:

Impact on assets, liabilities and equity

	<b>June 30, 2018</b>
Increase in contract assets - current	\$ 136,784
Decrease in other receivables	<u>(23,007)</u>
Increase in assets	<u>\$ 113,777</u>

(Continued)

	<b>June 30, 2018</b>
Increase in contract liabilities - current	\$ 2,015,537
Decrease in receipts in advance	(2,066,039)
Increase in contract liabilities - non-current	1,131,402
Decrease in long-term deferred revenue	<u>(1,339,516)</u>
Decrease in liabilities	<u>\$ (258,616)</u>
Increase in retained earnings	\$ 352,768
Increase in non-controlling interests	<u>19,625</u>
Increase in equity	<u>\$ 372,393</u>
	(Concluded)

Impact on total comprehensive income

	<b>For the Three Months Ended June 30, 2018</b>	<b>For the Six Months Ended June 30, 2018</b>
Decrease in net income - royalty income	<u>\$ (12,239)</u>	<u>\$ (24,214)</u>
Decrease in net income attributable to:		
Owners of the Corporation	\$ (11,594)	\$ (22,938)
Non-controlling interests	<u>(645)</u>	<u>(1,276)</u>
	<u>\$ (12,239)</u>	<u>\$ (24,214)</u>
Impact on earnings per share:		
Decrease in basic earnings per share	<u>\$(0.01)</u>	<u>\$(0.02)</u>
Decrease in diluted earnings per share	<u>\$(0.01)</u>	<u>\$(0.02)</u>

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

<b>New, Revised or Amended Standards and Interpretations ("New IFRSs")</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

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

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

#### IFRS 16 "Leases"

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

#### Definition of a lease

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

#### The Group as lessee

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

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

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

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

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

Except for the above impact, as of the date the consolidated financial statements were issued, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note)</u>
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

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

As of the date the consolidated financial statements were issued, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group'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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

- b. Basis of preparation

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



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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the 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 the asset or liability.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

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

e. Business combinations

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

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

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

f. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period 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 period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

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

g. Inventories

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

h. Investment in associates and joint ventures

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

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

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

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

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Non-current assets held for sale

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 32.

ii. 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 and accounts receivable and other receivables are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

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

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

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

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

2018

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



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

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 2017

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

For financial assets measured at amortized cost, such as accounts receivable, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of 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 default on receivables.

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

Before 2018, 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. 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 difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

The repurchase of the Corporation'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 Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at FVTPL, all financial liabilities are carried at amortized cost using the effective interest method. Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

#### b) Derecognition of financial liabilities

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

#### 4) Derivative financial instruments

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

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

#### o. Provisions

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

##### 1) Onerous contracts

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

##### 2) Restructurings

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

##### 3) Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Group of the expenditure required to settle the Group's obligation.

p. Revenue recognition

2018

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

1) Revenue from sale of goods

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

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

2) Licensing revenue

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

2017

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

1) Sale of goods

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

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
  - b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
  - c) The amount of revenue can be measured reliably;
  - d) It is probable that the economic benefits associated with the transaction will flow to the Group;
- and

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

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

## 2) Royalties

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

## 3) Dividend and interest income

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

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

## q. Leasing

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

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

## r. Borrowing costs

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

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

## s. Employee benefits

### 1) Short-term employee benefits

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

### 2) Retirement benefits

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

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

Net defined benefit liability represents the actual deficit in the Group's defined benefit plans.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year.

t. Share-based payment arrangements

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

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

u. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence. The effect of the change in tax rate relating to transactions recognized outside profit or loss is recognized in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is included in estimating the average annual income tax rate, consequently spreading the effect throughout the interim period.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

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

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

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

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

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

### **a. Impairment of goodwill**

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

### **b. Impairment of inventories**

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

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	\$ 1,602	\$ 1,541	\$ 1,278
Checking accounts and demand deposits	4,130,732	7,967,839	4,902,035
Cash equivalents (investments with original maturities less than 3 months)			
Time deposits	8,236,397	3,803,487	3,444,081
Repurchase agreements collateralized by bonds	<u>-</u>	<u>105,782</u>	<u>586,079</u>
	<u>\$ 12,368,731</u>	<u>\$ 11,878,649</u>	<u>\$ 8,933,473</u>

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

	June 30, 2018	December 31, 2017	June 30, 2017
Demand deposits	0.01-1.15%	0.01-1.15%	0.01-1.15%
Time deposits	0.35-3.4%	0.2-3.2%	0.25-1.85%
Repurchase agreements collateralized by bonds	-	0.4-1.7%	0.4-1.3%

Time deposits with original maturities of more than 3 months were \$199,391 thousand and \$852,292 thousand, respectively, as of December 31, 2017 and June 30, 2017. Time deposits with original maturities of more than 3 months were classified as other current financial assets, the interest rate were 2.25-2.4% and 2.17-2.3%, respectively, as of December 31, 2017 and June 30, 2017.

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Non-derivative financial assets</u>			
Financial assets held for trading - mutual funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,654</u>
<u>Derivative financial liabilities (included in other current liabilities)</u>			
Financial liabilities designated as at FVTPL - forward foreign exchange contracts	<u>\$ 719</u>	<u>\$ -</u>	<u>\$ -</u>



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

**June 30, 2018**

Investments in equity instruments - non-current

Domestic listed shares and emerging market shares	\$ 3,055,468
Overseas listed shares	680,617
Domestic unlisted shares	42,899
Overseas unlisted shares	<u>192,415</u>
	<u>\$ 3,971,399</u>

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

**9. FINANCIAL ASSETS AT AMORTIZED COST - 2018**

Financial assets at amortized cost were time deposits with original maturities of more than 3 months, with interest rates from 2.65-3.4% as of June 30, 2018. The deposits were originally classified as other financial assets under IAS 39. Please refer to Notes 3 and 6 for information relating to their reclassification and comparative information for 2017.

**10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017**

	<b>December 31, 2017</b>	<b>June 30, 2017</b>
<u>Domestic investments</u>		
Listed shares and emerging market shares	<u>\$ 2,749,317</u>	<u>\$ 2,598,414</u>

**11. FINANCIAL ASSETS MEASURED AT COST - 2017**

	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Overseas unlisted ordinary shares	\$ 170,793	\$ 168,386
Domestic emerging ordinary shares	59,218	81,523
Domestic unlisted ordinary shares	<u>37,970</u>	<u>44,401</u>
	<u>\$ 267,981</u>	<u>\$ 294,310</u>

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

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

## 12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Principal guaranteed wealth investment products	<u>\$ 519,209</u>	<u>\$ 380,777</u>

Principal guaranteed wealth investment products bought from banks by the Group were measured at cost and may not be redeemed in advance during the term of the contracts. The expected rates of return intervals were 4.25-4.5% and 4.25-4.5% per annum, respectively, as of December 31, 2017 and June 30, 2017.

## 13. ACCOUNTS RECEIVABLE

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Accounts receivable from related parties (Note 33)	<u>\$ 97,293</u>	<u>\$ 248,685</u>	<u>\$ 95,209</u>
Accounts receivable	2,411,950	1,789,726	1,934,460
Less: Allowance for impairment loss	<u>20,821</u>	<u>28,611</u>	<u>45,576</u>
	<u>2,391,129</u>	<u>1,761,115</u>	<u>1,888,884</u>
	<u>\$ 2,488,422</u>	<u>\$ 2,009,800</u>	<u>\$ 1,984,093</u>

### For the six months ended June 30, 2018

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

The following table details the loss allowance of accounts receivable.

### June 30, 2018

	<b>Not Past Due</b>	<b>1 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Gross carrying amount	\$ 2,279,251	\$ 85,582	\$ 47,117	\$ 2,411,950
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>20,821</u>	<u>20,821</u>
Amortized cost	<u>\$ 2,279,251</u>	<u>\$ 85,582</u>	<u>\$ 26,296</u>	<u>\$ 2,391,129</u>

The movements of the loss allowance of accounts receivable were as follows:

	<b>For the Six Months Ended June 30, 2018</b>
Balance at January 1, 2018	\$ 28,611
Less: Expected credit loss reversed	(52)
Less: Amounts written off	(7,609)
Foreign exchange translation gains and losses	<u>(129)</u>
Balance at June 30, 2018	<u>\$ 20,821</u>

For the six months ended June 30, 2017

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

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

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

The aging of accounts receivable was as follows:

	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Not past due	\$ 1,625,121	\$ 1,872,292
1-90 days	114,430	12,382
More than 90 days	<u>50,175</u>	<u>49,786</u>
	<u>\$ 1,789,726</u>	<u>\$ 1,934,460</u>

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

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

	<b>December 31, 2017</b>	<b>June 30, 2017</b>
1-90 days	\$ 114,430	\$ 6,786
More than 90 days	<u>21,565</u>	<u>8,852</u>
	<u>\$ 135,995</u>	<u>\$ 15,638</u>

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

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

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 38,545	\$ -	\$ 38,545
Add: Impairment losses recognized on receivables	7,668	-	7,668
Foreign exchange translation gains and losses	<u>(637)</u>	<u>-</u>	<u>(637)</u>
Balance at June 30, 2017	<u>\$ 45,576</u>	<u>\$ -</u>	<u>\$ 45,576</u>

Accounts receivable of the Group were mainly concentrated to Customer A. The accounts receivable from Customer A were \$1,053,392 thousand, \$527,455 thousand and \$943,989 thousand as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

#### 14. INVENTORIES

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Finished goods	\$ 562,287	\$ 814,904	\$ 382,055
Semi-finished goods	213,845	218,500	205,521
Work in progress	89,353	4,940	7,974
Raw materials	<u>1,682,808</u>	<u>1,105,015</u>	<u>1,028,927</u>
	<u>\$ 2,548,293</u>	<u>\$ 2,143,359</u>	<u>\$ 1,624,477</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2018 and 2017 and six months ended June 30, 2018 and 2017 included inventory write-downs of \$47,913 thousand, reversal of inventory write-downs \$19,307 thousand, inventory write-downs \$112,282 thousand and inventory write-downs \$154,074 thousand, respectively.

Previous write-downs were reversed as a result of the sale or disposal of obsolete inventories.

#### 15. NON-CURRENT ASSETS HELD FOR SALE

##### a. Discontinued operations

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

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

	<b>For the Three Months Ended June 30, 2017</b>	<b>For the Six Months Ended June 30, 2017</b>
Operating revenue	\$ 39,483	\$ 89,489
Operating costs	<u>(53,266)</u>	<u>(94,160)</u>
Gross loss	(13,783)	(4,671)
Operating expenses	<u>(9,057)</u>	<u>(16,352)</u>
Loss from operations	(22,840)	(21,023)
Impairment loss	(159,388)	(159,388)
Non-operating income and expenses	<u>(120,906)</u>	<u>(105,317)</u>
Net loss for the period	<u>\$ (303,134)</u>	<u>\$ (285,728)</u>
Net loss from discontinued operations attributable to:		
Owners of the Corporation	\$ (287,159)	\$ (270,670)
Non-controlling interest	<u>(15,975)</u>	<u>(15,058)</u>
	<u>\$ (303,134)</u>	<u>\$ (285,728)</u>
Net cash used in operating activities	\$ (116,867)	\$ (163,632)
Net cash generated from investing activities	<u>-</u>	<u>7,474</u>
Net cash outflows	<u>\$ (116,867)</u>	<u>\$ (156,158)</u>

b. Non-current assets held for sale

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Property, plant and equipment held for sale	<u>\$ 23,275</u>	<u>\$ -</u>	<u>\$ 803,183</u>
Liabilities directly associated with non-current assets classified as held for sale	<u>\$ 20,715</u>	<u>\$ -</u>	<u>\$ 222,316</u>

The board of directors of the subsidiary, Hydis Technologies Co., Ltd., resolved to dispose of the aforementioned property, plant and equipment of the discontinued operations in October 2015 and reclassified the property, plant and equipment to non-current assets held for sale, which were presented separately in the consolidated balance sheets. The board of directors of Hydis Technologies Co., Ltd. resolved to sell the above property, plant and equipment to a non-related party in August 2017. The Group has completed the related disposal procedures as of December 31, 2017.

The subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., expected to dispose of a batch of equipment to a non-related party within 12 months. Transcend Optronics (Yangzhou) Co., Ltd. received partial contract price RMB4,500 thousand as of June 30, 2018. The sale price is expected to exceed the book value of net assets. Hence, the Group did not recognize impairment loss when the batch of equipment was reclassified as non-current assets held for sale.

## 16. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2018	December 31, 2017	June 30, 2017	
E Ink Holdings Inc.	PVI Global Corp.	Investment	100.00	100.00	100.00	
	E Ink Corporation	Manufacture and sale of electronic ink	45.31	45.31	45.31	
	Yuen Yu Investment Co., Ltd.	Investment	100.00	100.00	100.00	
	New Field e-Paper Co., Ltd.	Wholesale and sale of electronic parts	100.00	100.00	100.00	
	SiPix Technology Inc.	Manufacture and sale of electronic ink	100.00	100.00	100.00	
	Dream Universe Ltd.	Trading	100.00	100.00	100.00	
	Prime View Communications Ltd.	Trading	100.00	100.00	100.00	
	Tech Smart Logistics Ltd.	Trading	0.09	0.09	0.09	
	Hot Tracks International Ltd.	Trading	100.00	100.00	100.00	
	Linfiny Japan Inc.	Research, development and sale of electronic ink	-	-	100.00	a
New Field e-Paper Co., Ltd.	E Ink Corporation	Manufacture and sale of electronic ink	12.88	12.88	12.88	
	Tech Smart Logistics Ltd.	Trading	99.91	99.91	99.91	
Yuen Yu Investment Co., Ltd.	Lucky Joy Holdings Ltd.	Investment	100.00	100.00	100.00	
	Linfiny Corporation	Research, development and sale of electronic ink	77.00	77.00	100.00	a
	YuanHan Materials Inc.	Manufacture and sale of electronic parts	100.00	100.00	-	b
SiPix Technology, Inc.	Linfiny Corporation	Research, development and sale of electronic ink	4.00	4.00	-	a
Linfiny Corporation	Linfiny Japan Inc.	Research, development and sale of electronic ink	100.00	100.00	-	a
E Ink Corporation	E Ink California, LLC	Research, development and sale of electronic ink	100.00	100.00	100.00	
	E Ink Japan Inc.	Development of electronics ink products	100.00	100.00	100.00	
	E Ink Systems, LLC	Research and development of application software	100.00	100.00	100.00	
PVI Global Corp.	PVI International Corp.	Trading	100.00	100.00	100.00	
	Ruby Lustre Ltd.	Investment	100.00	100.00	100.00	
	Dream Pacific International Corp.	Sale of LCD monitor products	100.00	100.00	100.00	
	Transyork Technology Yangzhou Ltd.	Assembly of LCD flat panels	55.61	55.61	55.61	
	Transmart Electronics (Yangzhou) Ltd.	Research development and sale of LCD monitors	66.66	66.66	66.66	
Tech Smart Logistics Ltd.	E Ink Corporation	Manufacture and sale of electronic ink	41.81	41.81	41.81	
Dream Universe Ltd.	Transyang Electronics (Yangzhou) Ltd.	Assembly of LCD flat panels	100.00	100.00	100.00	
PVI International Corp.	Transcend Optronics (Yangzhou) Co., Ltd.	Assembly of LCD flat panels	100.00	100.00	100.00	
Ruby Lustre Ltd.	Rich Optronics (Yangzhou) Co., Ltd.	Assembly of LCD flat panels	100.00	100.00	100.00	
Dream Pacific International Corp.	Hydis Technologies Co., Ltd.	Research, development and sale of LCD monitors	94.73	94.73	94.73	
	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	24.19	24.19	24.19	
Hydis Technologies Co., Ltd.	Hydis Taiwan Inc.	Sale of LCD monitor products	-	100.00	100.00	c
	Hydis Shenzhen Ltd.	Sale of LCD monitor products	100.00	100.00	100.00	
Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	75.81	75.81	75.81	
	Transyork Technology Yangzhou Ltd.	Assembly of LCD flat panels	44.39	44.39	44.39	
	Transmart Electronics (Yangzhou) Ltd.	Research development and sale of LCD monitors	33.34	33.34	33.34	

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

- b. The Group incorporated YuanHan Materials Inc. in August 2017 whose main business is the manufacture and sale of related parts of electronic paper display panel parts.
- c. The board of directors of Hydis Taiwan Inc. acting as shareholders resolved to dissolve its company on September 30, 2017 and set March 1, 2018 as the date of liquidation.

Subsidiaries included in the consolidated financial statements for the six months ended June 30, 2018 and 2017 were calculated based on the financial statements that have not been reviewed, except for E Ink Corporation, Hydis Technologies Co., Ltd., Dream Pacific International Corp, Tech Smart Logistic Ltd., PVI International Corp., PVI Global Corp., Prime View Communications Ltd., Transcend Optronics (Yangzhou) Co., Ltd., Rich Optronics (Yangzhou) Co., Ltd., Transyork Technology Yanzhou Ltd., Yuen Yu Investment Co., Ltd., New Field e-Paper Co., Ltd. and Sipix Technology, Inc. were calculated based on the financial statements that have been reviewed.

## 17. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b>	<b>Machinery</b>	<b>Office Equipment</b>	<b>Construction- in-progress and Prepayments for Equipment</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2017	\$ 4,024,275	\$ 9,656,051	\$ 5,222,224	\$ 225,426	\$ 19,127,976
Additions	-	34,065	59,839	62,355	156,259
Disposals	(218,375)	(444,924)	(86,772)	-	(750,071)
Reclassifications	-	-	(934)	-	(934)
Effects of foreign currency exchange differences	<u>(64,450)</u>	<u>(115,931)</u>	<u>(177,720)</u>	<u>(12,258)</u>	<u>(370,359)</u>
Balance at June 30, 2017	<u>\$ 3,741,450</u>	<u>\$ 9,129,261</u>	<u>\$ 5,016,637</u>	<u>\$ 275,523</u>	<u>\$ 18,162,871</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2017	\$ 2,177,248	\$ 8,403,090	\$ 3,227,816	\$ -	\$ 13,808,154
Depreciation expense	58,383	167,255	162,864	-	388,502
Impairment losses reversed	-	(188)	-	-	(188)
Disposals	(218,375)	(433,831)	(85,987)	-	(738,193)
Reclassifications	-	-	(846)	-	(846)
Effects of foreign currency exchange differences	<u>(29,565)</u>	<u>(79,205)</u>	<u>(90,206)</u>	<u>-</u>	<u>(198,976)</u>
Balance at June 30, 2017	<u>\$ 1,987,691</u>	<u>\$ 8,057,121</u>	<u>\$ 3,213,641</u>	<u>\$ -</u>	<u>\$ 13,258,453</u>
Carrying amount at June 30, 2017	<u>\$ 1,753,759</u>	<u>\$ 1,072,140</u>	<u>\$ 1,802,996</u>	<u>\$ 275,523</u>	<u>\$ 4,904,418</u>
<u>Cost</u>					
Balance at January 1, 2018	\$ 3,771,839	\$ 7,203,466	\$ 5,084,702	\$ 306,234	\$ 16,366,241
Additions	4,665	85,118	38,270	122,369	250,422
Disposals	(1,020)	(18,285)	(105,820)	-	(125,125)
Reclassifications	(1,690)	(97,533)	1,690	-	(97,533)
Effects of foreign currency exchange differences	<u>20,336</u>	<u>30,925</u>	<u>64,107</u>	<u>8,330</u>	<u>123,698</u>
Balance at June 30, 2018	<u>\$ 3,794,130</u>	<u>\$ 7,203,691</u>	<u>\$ 5,082,949</u>	<u>\$ 436,933</u>	<u>\$ 16,517,703</u>

(Continued)

	<b>Buildings</b>	<b>Machinery</b>	<b>Office Equipment</b>	<b>Construction- in-progress and Prepayments for Equipment</b>	<b>Total</b>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2018	\$ 2,059,447	\$ 6,180,597	\$ 3,373,215	\$ -	\$ 11,613,259
Depreciation expense	58,021	136,327	143,374	-	337,722
Impairment losses reversed	-	(79)	(43)	-	(122)
Disposals	(584)	(17,580)	(104,331)	-	(122,495)
Reclassifications	-	(74,079)	-	-	(74,079)
Effects of foreign currency exchange differences	<u>9,857</u>	<u>20,286</u>	<u>37,180</u>	<u>-</u>	<u>67,323</u>
Balance at June 30, 2018	<u>\$ 2,126,741</u>	<u>\$ 6,245,472</u>	<u>\$ 3,449,395</u>	<u>\$ -</u>	<u>\$ 11,821,608</u>
Carrying amount at December 31, 2017 and January 1, 2018	<u>\$ 1,712,392</u>	<u>\$ 1,022,869</u>	<u>\$ 1,711,487</u>	<u>\$ 306,234</u>	<u>\$ 4,752,982</u>
Carrying amount at June 30, 2018	<u>\$ 1,667,389</u>	<u>\$ 958,219</u>	<u>\$ 1,633,554</u>	<u>\$ 436,933</u>	<u>\$ 4,696,095</u>

(Concluded)

Information about capitalized interest is as follows:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Capitalized interest	<u>\$ 122</u>	<u>\$ 45</u>	<u>\$ 176</u>	<u>\$ 62</u>
Capitalization rate intervals	1.22-1.5%	1.04-1.82%	0.94-1.5%	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:

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

## 18. GOODWILL AND OTHER INTANGIBLE ASSETS

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Goodwill	<u>\$ 6,760,255</u>	<u>\$ 6,702,636</u>	<u>\$ 6,756,962</u>
Other intangible assets			
Patents	1,697,828	1,864,507	2,062,986
Others	<u>70,528</u>	<u>24,646</u>	<u>26,129</u>
	<u>1,768,356</u>	<u>1,889,153</u>	<u>2,089,115</u>
	<u>\$ 8,528,611</u>	<u>\$ 8,591,789</u>	<u>\$ 8,846,077</u>



	<b>Goodwill</b>	<b>Patents</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2017	\$ 6,907,594	\$ 2,243,961	\$ 26,920	\$ 9,178,475
Additions	-	84,109	6,821	90,930
Amortization expenses	-	(196,890)	(6,946)	(203,836)
Effects of foreign currency exchange differences	<u>(150,632)</u>	<u>(68,194)</u>	<u>(666)</u>	<u>(219,492)</u>
Balance at June 30, 2017	<u>\$ 6,756,962</u>	<u>\$ 2,062,986</u>	<u>\$ 26,129</u>	<u>\$ 8,846,077</u>
Balance at January 1, 2018	\$ 6,702,636	\$ 1,864,507	\$ 24,646	\$ 8,591,789
Additions	-	9,992	54,046	64,038
Amortization expenses	-	(194,087)	(8,265)	(202,352)
Effects of foreign currency exchange differences	<u>57,619</u>	<u>17,416</u>	<u>101</u>	<u>75,136</u>
Balance at June 30, 2018	<u>\$ 6,760,255</u>	<u>\$ 1,697,828</u>	<u>\$ 70,528</u>	<u>\$ 8,528,611</u>

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

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

## 19. BORROWINGS

### a. Short-term borrowings

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Line of credit borrowings	<u>\$ 1,553,460</u>	<u>\$ 377,600</u>	<u>\$ 1,291,832</u>
Foreign currency included (in thousands of USD)	<u>\$ 26,000</u>	<u>\$ 10,000</u>	<u>\$ 42,467</u>
Interest rate intervals	<u>0.94%-2.89%</u>	<u>0.98%-2.08%</u>	<u>1.71%-1.9%</u>

### b. Short-term bills payable

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Commercial paper	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>
Interest rate intervals	<u>0.79%-1%</u>	<u>-</u>	<u>-</u>

c. Long-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Long-term payables	\$ 46,034	\$ 163,538	\$ 164,453
Less: Current portions	<u>          -</u>	<u>117,993</u>	<u>          -</u>
Long-term borrowings	<u>\$ 46,034</u>	<u>\$ 45,545</u>	<u>\$ 164,453</u>

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

Hydix Technologies Co., Ltd. issued unsecured corporate bonds in the amount of KRW22,880,000 thousand in May 2008 and were acquired in equal parts by ALCO Electronics Limited and Varitronix International Limited with a coupon rate of 4% and quarterly-paid interest. The corporate bonds originally expired in May 2013. However, after several resolutions by the board of directors and creditors, the expiration of the corporate bonds was extended to January 2014 and the coupon rate was lowered to 3%. The corporate bonds were then redeemed by the subsidiaries, PVI Global Corp. and Dream Pacific International Corp., on December 31, 2013 at the price of US\$20,000 thousand. They were paid off in June 2018, in principle with no interest, paid evenly over 5 years beginning from July 2014. As of December 31, 2017 and June 30, 2017, the above payables included in the current portion of long-term borrowings and in long-term payables were \$117,993 thousand and \$0 thousand, \$0 thousand and \$119,550 thousand, respectively.

**20. OTHER PAYABLES**

	June 30, 2018	December 31, 2017	June 30, 2017
Payables for dividends	\$ 1,853,550	\$ -	\$ 1,680,702
Payables for salaries or bonuses	720,785	808,450	590,385
Payable for professional service fees	55,957	130,935	70,059
Payables for utilities	42,616	136,150	77,529
Payables for construction and equipment	39,622	86,466	34,522
Others	<u>343,184</u>	<u>479,419</u>	<u>313,757</u>
	<u>\$ 3,055,714</u>	<u>\$ 1,641,420</u>	<u>\$ 2,766,954</u>

**21. PROVISIONS**

	June 30, 2018	December 31, 2017	June 30, 2017
Warranties (a)	\$ 24,433	\$ 20,932	\$ 26,760
Litigation provisions (b)	13	616,849	179,610
Onerous leases (c)	<u>          -</u>	<u>          -</u>	<u>222,316</u>
	<u>\$ 24,446</u>	<u>\$ 637,781</u>	<u>\$ 428,686</u>

- a. The provision for warranty claims represents the present value of the Group's management's best estimate of the future outflow of the economic benefits based on historical experience which will be required under the Group's obligations for warranties under the local legislation for the sale of goods.
- b. Litigation provisions are estimated by the Group's management based on the expected highly probable outcomes of related litigations.
- c. The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts less revenue expected to be earned on the leases, where applicable. The estimate may vary as a result of changes in the utilization of the leased premises and sub-lease arrangements, where applicable.

## **22. RETIREMENT BENEFIT PLANS**

### **a. Defined contribution plans**

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

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

### **b. Defined benefit plans**

The defined benefit plan adopted by the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation has no right to influence the investment policy and strategy.

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

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$1,211 thousand, \$1,777 thousand, \$3,695 thousand and \$4,523 thousand for the three months ended June 30, 2018 and 2017 and six months ended June 30, 2018 and 2017, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016.

## 23. EQUITY

### a. Ordinary shares

	June 30, 2018	December 31, 2017	June 30, 2017
Number of shares authorized (in thousands)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Amount of shares authorized	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,140,468</u>	<u>1,140,468</u>	<u>1,140,468</u>
Shares issued	<u>\$ 11,404,677</u>	<u>\$ 11,404,677</u>	<u>\$ 11,404,677</u>

### b. Capital surplus

	June 30, 2018	December 31, 2017	June 30, 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	\$ 9,494,322
Conversion of bonds	525,200	525,200	525,200
Treasury share transactions	20,106	20,106	-
<u>May be used to offset a deficit only (2)</u>			
Expired employee share options	49,840	49,840	49,833
Changes in percentage of ownership interests in associates	105	105	105
<u>May not be used for any purpose</u>			
Employee share options	<u>76,968</u>	<u>18,546</u>	<u>21,583</u>
	<u>\$ 10,166,541</u>	<u>\$ 10,108,119</u>	<u>\$ 10,091,043</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Corporation's amended Articles of Incorporation, where the Corporation 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 Corporation'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, please refer to Note 25.

The Corporation's Articles of Incorporation also stipulate a dividend policy that allows previous accumulated undistributed earnings to be distributed. In principle, the distribution of dividends and bonus to shareholders shall be in cash or in stocks, while 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 Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficits and the legal reserve has exceeded 25% of the Corporation'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 Corporation.

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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 207,806	\$ 190,794		
Cash dividends	1,853,550	1,680,702	<u>\$ 1.65</u>	<u>\$ 1.5</u>

d. Special reserves

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

e. Other equity items

1) Exchange differences on translating foreign operations

	<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ (242,623)	\$ 261,704
Exchange differences on translating foreign operations	89,918	(619,636)
Share from associates and join ventures accounted for using the equity method	<u>1,103</u>	<u>(3,401)</u>
Balance at June 30	<u>\$ (151,602)</u>	<u>\$ (361,333)</u>

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

Balance at January 1, 2017	\$ 226,916
Unrealized loss on available-for-sale financial assets	<u>(28,587)</u>
Balance at June 30, 2017	<u>\$ 198,329</u>
Balance at January 1, 2018 per IAS 39	\$ 349,232
Adjustment on initial application of IFRS 9	<u>(349,232)</u>
Balance at January 1, 2018 per IFRS 9	<u>\$ -</u>

3) Unrealized gain on financial assets at FVTOCI

	<b>For the Six Months Ended June 30, 2018</b>
Balance at January 1 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>376,899</u>
Balance at January 1 per IFRS 9	376,899
Unrealized loss on equity instruments	<u>(75,069)</u>
Balance at June 30	<u>\$ 301,830</u>

f. Non-controlling interests

	<b>For the Six Months Ended June 30, 2017</b>
Balance at January 1	\$ (876)
Share of profit for the period	19,078
Other comprehensive income recognized in the period	
Acquisition of non-controlling interests in subsidiaries (Note 29)	191,413
Exchange differences on translating foreign operations	<u>9,158</u>
Balance at June 30	<u>\$ 218,773</u>

	<b>For the Six Months Ended June 30, 2018</b>
Balance at January 1 per IAS 39	\$ 294,397
Adjustment on initial application of IFRS 9	<u>20,901</u>
Balance at January 1 per IFRS 9	315,298
Share of profit for the period	46,397
Other comprehensive loss recognized in the period	
Exchange differences on translating foreign operations	<u>(5,743)</u>
Balance at June 30	<u>\$ 355,952</u>

g. Treasury shares

	<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
Number of shares at January 1 and June 30	<u>17,104</u>	<u>20,000</u>

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

## 24. REVENUE

a. Revenue from contracts with customers

<b>Type of Revenue/Categories by Product</b>	<b>For the Six Months Ended June 30, 2018</b>
Revenue from sale of goods	
Monitors	\$ 5,088,221
Electronic shelf labels	1,294,352
Others	<u>126,917</u>
	<u>\$ 6,509,490</u>
Royalty income	<u>\$ 1,244,371</u>

b. Contract balances

	<b>June 30, 2018</b>
Accounts receivable (Note 13)	<u>\$ 2,488,422</u>
Contract assets - current	
Royalty	<u>\$ 136,784</u>

(Continued)

**June 30, 2018**

Contract liabilities	
Contract liabilities - current	
Royalty	\$ 1,857,607
Sale of goods	<u>157,930</u>
	<u>2,015,537</u>
Contract liabilities - non-current	
Royalty	<u>1,131,402</u>
	<u>\$ 3,146,939</u>
	(Concluded)

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the Group's performance and the customer's payment; other significant changes are as follows:

	<b>For the Six Months Ended June 30, 2018</b>
<b>Type of Revenue</b>	
Royalty income	\$ 855,224
Revenue from sale of goods	<u>114,068</u>
	<u>\$ 969,292</u>

## 25. NET INCOME FROM CONTINUING OPERATIONS

Components of net income from continuing operations were as follows:

a. Depreciation and amortization

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 160,061	\$ 191,371	\$ 337,722	\$ 388,502
Other intangible assets	102,749	101,278	202,352	203,791
Other non-current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>
	<u>\$ 262,810</u>	<u>\$ 292,649</u>	<u>\$ 540,074</u>	<u>\$ 592,305</u>
An analysis of depreciation by function				
Operating costs	\$ 78,008	\$ 105,848	\$ 174,092	\$ 220,660
Operating expenses	<u>82,053</u>	<u>85,523</u>	<u>163,630</u>	<u>167,842</u>
	<u>\$ 160,061</u>	<u>\$ 191,371</u>	<u>\$ 337,722</u>	<u>\$ 388,502</u>

(Continued)



	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
An analysis of amortization by function				
Operating costs	\$ 108	\$ 613	\$ 214	\$ 1,254
Operating expenses	<u>102,641</u>	<u>100,665</u>	<u>202,138</u>	<u>202,549</u>
	<u>\$ 102,749</u>	<u>\$ 101,278</u>	<u>\$ 202,352</u>	<u>\$ 203,803</u>
				(Concluded)

b. Employee benefits expense

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Post-employment benefits (Note 22)				
Defined contribution plans	\$ 17,938	\$ 16,240	\$ 35,779	\$ 33,652
Defined benefit plans	<u>1,211</u>	<u>1,273</u>	<u>3,695</u>	<u>3,173</u>
	19,149	17,513	39,474	36,825
Share-based payments				
Equity-settled	53,234	19,406	58,422	21,583
Other employee benefits	<u>971,997</u>	<u>771,498</u>	<u>1,797,089</u>	<u>1,534,062</u>
Total employee benefits expense	<u>\$ 1,044,380</u>	<u>\$ 808,417</u>	<u>\$ 1,894,985</u>	<u>\$ 1,592,470</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 285,049	\$ 230,574	\$ 532,899	\$ 454,843
Operating expenses	<u>759,331</u>	<u>577,843</u>	<u>1,362,086</u>	<u>1,137,627</u>
	<u>\$ 1,044,380</u>	<u>\$ 808,417</u>	<u>\$ 1,894,985</u>	<u>\$ 1,592,470</u>

c. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrued employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 10%, respectively, of net income before income tax, employees' compensation, and remuneration of directors, and accumulated deficit. For the three months ended June 30, 2018 and 2017 and six months ended June 30, 2018 and 2017, the employees' compensation and the remuneration of directors were as follows:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Employees' compensation	<u>\$ 19,180</u>	<u>\$ 8,100</u>	<u>\$ 19,380</u>	<u>\$ 9,800</u>
Remuneration of directors	<u>\$ 7,850</u>	<u>\$ -</u>	<u>\$ 7,850</u>	<u>\$ -</u>

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

Employees' compensation and remuneration of directors for 2017 and 2016 which have been approved in the board of directors on March 27, 2018 and March 22, 2017, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 23,000</u>	<u>\$ 20,000</u>
Remuneration of directors	<u>\$ 13,000</u>	<u>\$ 8,600</u>

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

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

## 26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current tax				
In respect of the current period	\$ 80,622	\$ 59,377	\$ 111,082	\$ 92,808
Adjustments for the prior periods	<u>(83)</u>	<u>(179)</u>	<u>589</u>	<u>(54)</u>
	<u>80,539</u>	<u>59,198</u>	<u>111,671</u>	<u>92,754</u>
Deferred tax				
Deferred tax in respect of the current period	212,592	100,647	282,269	96,384
Effect of tax rate changes	<u>-</u>	<u>-</u>	<u>(31,037)</u>	<u>-</u>
	<u>212,592</u>	<u>100,647</u>	<u>251,232</u>	<u>96,384</u>
Income tax expense recognized in profit or loss	<u>\$ 293,131</u>	<u>\$ 159,845</u>	<u>\$ 362,903</u>	<u>\$ 189,138</u>

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. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
Deferred tax - effect of tax rate changes	<u>\$ 2,014</u>	<u>\$ -</u>

c. Income tax assessments

Income tax assessments of the Group were as follows:

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

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Basic earnings per share				
For continuing operations	\$ 0.77	\$ 0.97	\$ 0.80	\$ 1.09
For discontinued operations	<u>-</u>	<u>(0.26)</u>	<u>-</u>	<u>(0.24)</u>
	<u>\$ 0.77</u>	<u>\$ 0.71</u>	<u>\$ 0.80</u>	<u>\$ 0.85</u>
Diluted earnings per share				
For continuing operations	\$ 0.76	\$ 0.97	\$ 0.80	\$ 1.09
For discontinued operations	<u>-</u>	<u>(0.26)</u>	<u>-</u>	<u>(0.24)</u>
	<u>\$ 0.76</u>	<u>\$ 0.71</u>	<u>\$ 0.80</u>	<u>\$ 0.85</u>

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

### Net Income (Loss) for the Period

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net income for the period attributable to owners of the Corporation	\$ 861,249	\$ 1,085,468	\$ 902,413	\$ 1,226,320
Net loss for the period from discontinued operations	<u>-</u>	<u>(287,159)</u>	<u>-</u>	<u>(270,670)</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 861,249</u>	<u>\$ 798,309</u>	<u>\$ 902,413</u>	<u>\$ 955,650</u>

## Weighted Average Number of Ordinary Shares Outstanding

Unit: Shares in Thousands

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	<u>1,123,364</u>	<u>1,120,468</u>	<u>1,123,364</u>	<u>1,120,468</u>
Effect of potentially dilutive ordinary shares				
Employees' compensation	566	286	794	703
Employees' share options	<u>5,221</u>	<u>2,803</u>	<u>3,952</u>	<u>1,541</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,129,151</u>	<u>1,123,557</u>	<u>1,128,110</u>	<u>1,122,712</u>

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

## 28. SHARE-BASED PAYMENT ARRANGEMENTS

The board of directors resolved on May 8, 2018 and March 22, 2017 to transfer treasury shares of 8,097 thousand shares and 7,289 thousand shares, respectively, to qualified employees of the Corporation and its subsidiaries. In compliance with the Corporation's Articles of Incorporation, each transfer price is the average of the actual buy back price.

Information about treasury shares transferred to employees is as follows:

For the six months ended June 30, 2018

Grant Date	Transferable Shares	Transferred Shares for the Period	Accumulated Transferred Shares	Unit: Shares in Thousands	
				Expired Shares	Exercise Price (NT\$)
May 8, 2018	<u>8,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 18.02</u>
March 22, 2017	<u>7,289</u>	<u>-</u>	<u>2,896</u>	<u>246</u>	<u>\$ 18.02</u>

For the six months ended June 30, 2017

Grant Date	Transferable Shares	Transferred Shares for the Period	Accumulated Transferred Shares	Unit: Shares in Thousands	
				Expired Shares	Exercise Price (NT\$)
March 22, 2017	<u>7,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 18.02</u>

Treasury shares transferred to employees were priced using a Black-Scholes pricing model. Compensation costs recognized were \$53,234 thousand, \$19,406 thousand, \$58,422 thousand and \$21,583 thousand for the three months ended June 30, 2018 and 2017 and six months ended June 30, 2018 and 2017. The inputs to the models were as follows:

	May 2018	March 2017
Expected volatility	48.31-49.82%	30.53-40.29%
Expected life	0-1 years	0-2 years
Expected dividend yield	2.46%	2.34%
Risk-free interest rate	0.6-1.04%	0.63-1.08%

## 29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

	For the Six Months Ended June 30, 2017
Cash consideration paid	\$ 66,411
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>191,413</u>
Differences recognized from equity transactions	<u>\$ 257,824</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 2,223
Retained earnings	<u>255,601</u>
	<u>\$ 257,824</u>

## 30. NON-CASH TRANSACTIONS

For the six months ended June 30, 2018 and 2017, the Group entered into the following non-cash investing activities:

	For the Six Months Ended June 30	
	2018	2017
Acquisition of property, plant and equipment		
Increase in property, plant and equipment	\$ 250,422	\$ 156,259
Decrease in payables for construction and equipment (included in other payables)	<u>47,633</u>	<u>640</u>
Net cash paid	<u>\$ 298,055</u>	<u>\$ 156,899</u>

### 31. CAPITAL MANAGEMENT

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

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

### 32. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments that are not measured at fair value

The consolidated financial statements include unlisted shares measured at cost as of December 31, 2017 and June 30, 2017. Since the range of fair values of these equity investments estimated by valuation techniques varied significantly, management believed that the unlisted equity investments held by the Group had fair values which could not be reliably measured. Therefore, they were measured at cost. Such investments were classified as FVTOCI under IFRS 9 as of June 30, 2018. Please refer to Notes 3 and 11 for information relating to their reclassification and comparative information for 2017.

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

##### 1) Fair value hierarchy

June 30, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and overseas listed shares and emerging market shares	\$ 3,055,468	\$ -	\$ 680,617	\$ 3,736,085
Domestic and overseas unlisted shares	<u>-</u>	<u>-</u>	<u>235,314</u>	<u>235,314</u>
	<u>\$ 3,055,468</u>	<u>\$ -</u>	<u>\$ 915,931</u>	<u>\$ 3,971,399</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities - forward foreign exchange contracts	<u>\$ -</u>	<u>\$ 719</u>	<u>\$ -</u>	<u>\$ 719</u>

December 31, 2017

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Available-for-sale financial assets</u>				
Domestic listed shares	<u>\$ 2,749,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,749,317</u>

June 30, 2017

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Non-derivative financial instruments - mutual funds	<u>\$ 115,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,654</u>
<u>Available-for-sale financial assets</u>				
Domestic listed shares	<u>\$ 2,598,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,598,414</u>

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

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

For the six months ended June 30, 2018

	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance at January 1	<u>\$ 264,501</u>
Recognized in other comprehensive loss	
Unrealized loss on equity instruments	(308,466)
Exchange differences on translating foreign operations	<u>1,402</u>
	<u>(307,064)</u>
Purchases	<u>958,494</u>
Balance at June 30	<u>\$ 915,931</u>

For the six months ended June 30, 2017

	<b>Financial Assets at FVTPL - Derivative Financial Assets <u>Exchangeable Bonds</u></b>
Balance at January 1	\$ 289,860
Recognized in gain	101,268
Recognized in other comprehensive loss	(17,083)
Transferred to loans receivable	<u>(374,045)</u>
Balance at June 30	<u>\$ -</u>

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

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

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

- a) Fair value of derivatives - exchangeable bonds are determined according to the calculation of the evaluation model and relevant value analysis report by financial institutions. Significant unobservable input changes are as follows. When net value per share increases, volatility decrease, risk-free interest rate decreases, risk premium decreases or liquidity discount decreases, the fair value of such investment increases.
- b) Domestic and overseas unlisted shares were evaluated by the market approach, referring to share prices and market conditions of companies with operating activities that were similar to those of the Group. Unobservable inputs used by the Group were 20% discount for lack of marketability as of June 30, 2018. If the discount for lack of marketability increased 1% while all other variables were held constant, the fair value would have decreased \$2,405 thousand.
- c) Overseas listed private shares were evaluated by the market approach. The fair values were determined by the closing prices at the end of the reporting periods with consideration of discount for lack of marketability. Unobservable inputs used by the Group were 16.6% discount for lack of marketability as of June 30, 2018. If the discount for lack of marketability increased 1% while all other variables were held constant, the fair value would have decreased \$8,161 thousand.



c. Categories of financial instruments

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial assets</u>			
FVTPL	\$ -	\$ -	\$ 115,654
Loans and receivables (Note 1)	-	14,932,789	12,799,505
Available-for-sale financial assets (Note 2)	-	3,017,298	2,892,724
Financial assets at amortized cost (Note 3)	14,925,877	-	-
Equity instruments at FVTOCI	3,971,399	-	-
<u>Financial liabilities</u>			
FVTPL	719	-	-
Amortized cost (Note 4)	6,946,449	4,383,674	5,807,337

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

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

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

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

#### Sensitivity analysis

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

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

	<b>NTD to USD</b>		<b>RMB to USD</b>		<b>KRW to USD</b>	
	<b>For the Six Months</b>		<b>For the Six Months</b>		<b>For the Six Months</b>	
	<b>Ended June 30</b>		<b>Ended June 30</b>		<b>Ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Profit or loss	\$ (652)	\$ 8,297	\$ 4,733	\$ (4,007)	\$ (80,567)	\$ (53,726)

#### b) Interest rate risk

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

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Cash flow interest rate risk			
Financial assets	\$ 4,130,732	\$ 7,967,839	\$ 4,902,035
Financial liabilities	\$ 152,300	\$ -	\$ -

#### Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher, the Group's pre-tax profit for the six months ended June 30, 2018 and 2017 would be \$10,327 thousand and \$12,255 thousand, respectively, which would be attributable to the Group's exposure to interest rates on its financial assets. If interest rates had been 50 basis points lower, there would be an equal and opposite impact on pre-tax profit, and the balances would be negative.

If interest rates had been 50 basis points higher, the Group's pre-tax profit for the six months ended June 30, 2018 would be \$381 thousand, which would be attributable to the Group's exposure to interest rates on its financial liabilities. If interest rates had been 50 basis points lower, there would be an equal and opposite impact on pre-tax profit, and the balances would be negative.

c) Other price risk

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

Sensitivity analysis

For the six months ended June 30, 2018

The sensitivity analysis was determined based on the exposure to equity price risk in equity securities at the end of the reporting period. If equity prices had been 5% higher/lower, the other comprehensive income before income tax for the six months ended June 30, 2018 would have increased/decreased by \$198,570 thousand, respectively, due to the increase/decrease in fair value of financial assets at FVTOCI.

For the six months ended June 30, 2017

The sensitivity analysis was determined based on the exposure to equity price risk in listed equity securities at the end of the reporting period. If equity prices had been 5% higher/lower, the other comprehensive income before income tax for the six months ended June 30, 2017 would have increased/decreased by \$129,921 thousand, respectively, due to the increase/decrease in fair value of available-for-sale financial assets.

2) Credit risk

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

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group had available unutilized short-term bank loan amounted to \$2,279,420 thousand, \$2,939,890 thousand and \$3,605,013 thousand.

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

June 30, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Fixed interest rate liabilities	\$ 1,704,324	\$ -	\$ -	\$ -	\$ -
Variable interest rate liabilities	-	153,286	-	-	-
Non-interest bearing liabilities	-	-	-	-	46,034
	<u>\$ 1,704,324</u>	<u>\$ 153,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,034</u>

December 31, 2017

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

June 30, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Fixed interest rate liabilities	\$ 833,904	\$ 461,522	\$ -	\$ -	\$ -
Non-interest bearing liabilities	-	-	-	119,550	44,903
	<u>\$ 833,904</u>	<u>\$ 461,522</u>	<u>\$ -</u>	<u>\$ 119,550</u>	<u>\$ 44,903</u>

### 33. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

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

(Continued)

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

(Concluded)

b. Sales of goods

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Associates	\$ 249	\$ -	\$ 249	\$ -
Investor and its subsidiaries with significant influence over the Group	<u>-</u>	<u>321</u>	<u>12</u>	<u>321</u>
	<u>\$ 249</u>	<u>\$ 321</u>	<u>\$ 261</u>	<u>\$ 321</u>

c. Purchase of goods

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Associates	\$ 190,281	\$ 111,618	\$ 272,176	\$ 266,920
Investor and its subsidiaries with significant influence over the Group	2,644	1,820	4,128	3,022
Substantive related parties	<u>3</u>	<u>-</u>	<u>11</u>	<u>2</u>
	<u>\$ 192,928</u>	<u>\$ 113,438</u>	<u>\$ 276,315</u>	<u>\$ 269,944</u>

d. Manufacturing costs

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Substantive related parties	\$ 16,500	\$ 16,151	\$ 28,143	\$ 30,281
Investor and its subsidiaries with significant influence over the Group	29	41	58	41
Associates	<u>-</u>	<u>84</u>	<u>22</u>	<u>86</u>
	<u>\$ 16,529</u>	<u>\$ 16,276</u>	<u>\$ 28,223</u>	<u>\$ 30,408</u>

e. Operating expenses

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Substantive related parties	\$ 6,585	\$ 3,495	\$ 12,592	\$ 6,854
Associates	5,768	2,870	6,842	3,145
Investor and its subsidiaries with significant influence over the Group	<u>1,079</u>	<u>2,499</u>	<u>3,094</u>	<u>2,761</u>
	<u>\$ 13,432</u>	<u>\$ 8,864</u>	<u>\$ 22,528</u>	<u>\$ 12,760</u>

f. Non-operating income - other income

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Investor and its subsidiaries with significant influence over the Group	\$ 4,006	\$ 2,480	\$ 6,881	\$ 6,439
Associates	1,976	1,717	3,611	3,423
Substantive related parties	<u>127</u>	<u>-</u>	<u>127</u>	<u>-</u>
	<u>\$ 6,109</u>	<u>\$ 4,197</u>	<u>\$ 10,619</u>	<u>\$ 9,862</u>

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

Related Party Categories/Names	June 30, 2018	December 31, 2017	June 30, 2017
Associates			
NTX Electronics Yangzhou Co., Ltd.	\$ 79,096	\$ 230,698	\$ 89,300
Others	<u>-</u>	<u>91</u>	<u>90</u>
	<u>79,096</u>	<u>230,789</u>	<u>89,390</u>
Investor and its subsidiaries with significant influence over the Group	<u>18,197</u>	<u>17,839</u>	<u>5,819</u>
Substantive related parties	<u>-</u>	<u>57</u>	<u>-</u>
	<u>\$ 97,293</u>	<u>\$ 248,685</u>	<u>\$ 95,209</u>

The outstanding accounts receivable from related parties were unsecured. For the six months ended June 30, 2018 and 2017, no impairment loss was recognized for accounts receivable from related parties.

h. Loans to related parties (included in other receivables)

Related Party Categories	June 30, 2018	December 31, 2017	June 30, 2017
Investor and its subsidiaries with significant influence over the Group	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,045</u>

For the three months ended June 30, 2018 and six months ended June 30, 2018, the Group recognized interest income of the same amount of \$181 thousand on the loans to related parties.

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

<b>Related Party Categories</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Associates	\$ 22,118	\$ 104,978	\$ 84
Substantive related parties	16,328	5,894	7,073
Investor and its subsidiaries with significant influence over the Group	<u>8,016</u>	<u>4,608</u>	<u>3,319</u>
	<u>\$ 46,462</u>	<u>\$ 115,480</u>	<u>\$ 10,476</u>

The outstanding accounts payable to related parties were unsecured.

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

<b>Related Party Categories/Names</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Substantive related parties			
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	\$ 51,927	\$ 51,374	\$ 92,051
Investor and its subsidiaries with significant influence over the Group	<u>423</u>	<u>1,679</u>	<u>-</u>
	<u>\$ 52,350</u>	<u>\$ 53,053</u>	<u>\$ 92,051</u>

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

<b>Related Party Categories</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Key management personnel	\$ 1,050	\$ 1,050	\$ -
Associates	69	3	-
Investor with significant influence over the Group	<u>-</u>	<u>215</u>	<u>-</u>
	<u>\$ 1,119</u>	<u>\$ 1,268</u>	<u>\$ -</u>

l. Compensation of key management personnel

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Short-term employee benefits	\$ 25,477	\$ 19,553	\$ 51,208	\$ 45,646
Post-employment benefits	338	332	643	664
Share-based payments	<u>11,599</u>	<u>4,690</u>	<u>12,954</u>	<u>6,253</u>
	<u>\$ 37,414</u>	<u>\$ 24,575</u>	<u>\$ 64,805</u>	<u>\$ 52,563</u>

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



### 34. ASSETS PLEDGED AS COLLATERAL

Assets amounting to \$142,277 thousand, \$139,629 thousand and \$699,612 thousand included in other current assets and non-current assets as of June 30, 2018, December 31, 2017 and June 30, 2017 were provided as collateral for transaction line of credit of derivative instruments, guarantees of tariffs of imported goods, tenancy deposits for renting plants and land, and deposits for the application for provisional attachment.

### 35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Loan note guarantees issued due to long-term and short-term borrowings and transaction lines of credit of derivative instruments were \$4,430,000 thousand, \$3,770,000 thousand and \$4,007,000 thousand as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

Letters of bank guarantees issued due to customs import cargo guarantees were \$92,071 thousand and \$91,090 thousand as of June 30, 2018 and December 31, 2017.

### 36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2018

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 264,500	1,106.8314 (USD:KRW)	\$ 8,056,670
USD	210,658	30.46 (USD:NTD)	6,416,643
USD	124,175	6.6166 (USD:RMB)	3,782,371
USD	35,545	7.8485 (USD:HKD)	<u>1,082,701</u>
			<u>\$ 19,338,385</u>
<u>Foreign currency liabilities</u>			
Monetary items			
USD	208,517	30.46 (USD:NTD)	\$ 6,351,428
USD	139,713	6.6166 (USD:RMB)	4,255,658
USD	34,583	7.8485 (USD:HKD)	<u>1,053,398</u>
			<u>\$ 11,660,484</u>

December 31, 2017

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

June 30, 2017

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 176,615	1,136.7713 (USD:KRW)	\$ 5,372,628
USD	171,947	30.42 (USD:NTD)	5,230,628
USD	144,014	6.7744 (USD:RMB)	4,380,906
USD	36,020	7.8060 (USD:HKD)	<u>1,095,728</u>
			<u>\$ 16,079,890</u>
<u>Foreign currency liabilities</u>			
Monetary items			
USD	199,222	30.42 (USD:NTD)	\$ 6,060,333
USD	130,842	6.7744 (USD:RMB)	3,980,214
USD	35,082	7.8060 (USD:HKD)	<u>1,067,194</u>
			<u>\$ 11,107,741</u>

For the three months ended June 30, 2018 and 2017 and six months ended June 30, 2018 and 2017, net foreign exchange gain (losses) (realized and unrealized) were \$409,057 thousand, \$92,584 thousand, \$350,327 thousand and \$(301,338) thousand, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions.

### 37. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees; and
- b. Information on reinvestments:
  - 1) Financing provided to others (Table 1)
  - 2) Endorsements/guarantees provided (Table 2)
  - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (Table 3)
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
  - 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
  - 9) Trading in derivative instruments (Note 7)
  - 10) Intercompany relationships and significant intercompany transactions (Table 9)
  - 11) Information on investees (Table 7)
- c. Information on investments in mainland China (Table 8)
  - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area.
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

### 38. SEGMENT INFORMATION

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

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

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

	<b>Segment Revenue</b>	<b>Segment Profit or Loss</b>
<u>For the six months ended June 30, 2018</u>		
ROC	\$ 7,154,329	\$ 405,808
Asia	4,756,690	(321,690)
America	2,243,529	(158,418)
Adjustment and eliminations	<u>(7,645,058)</u>	<u>-</u>
	<u>\$ 6,509,490</u>	(74,300)
Administration costs and remuneration of directors		(242,986)
Interest income		48,983
Royalty income		1,244,371
Interest expense		(16,276)
Share of loss of associates and joint ventures accounted for using the equity method		(16,711)
Net gain on foreign currency exchange		350,327
Net loss on fair value change of financial assets at fair value through profit or loss		(719)
Other non-operating income and expenses, net		<u>19,024</u>
Income before income tax from continuing operations		<u>\$ 1,311,713</u>
<u>For the six months ended June 30, 2017</u>		
ROC	\$ 7,885,805	\$ 799,485
Asia	4,884,925	(79,345)
America	2,340,370	(162,678)
Adjustment and eliminations	<u>(8,203,129)</u>	<u>-</u>
	<u>\$ 6,907,971</u>	557,462
Administration costs and remuneration of directors		(219,833)
Interest income		37,918
Royalty income		1,281,701

(Continued)

	<b>Segment Revenue</b>	<b>Segment Profit or Loss</b>
Interest expense		\$ (9,879)
Share of loss of associates and joint ventures accounted for using the equity method		(5,513)
Net loss on foreign currency exchange		(301,338)
Net gain on fair value change of financial assets at fair value through profit or loss		101,457
Other non-operating income and expenses, net		<u>7,619</u>
Income before income tax from continuing operations		<u>\$ 1,449,594</u> (Concluded)

Segment profit represented the income before income tax earned by each segment without allocation of central administration costs and remuneration of directors, interest income, royalty income, interest expense, share of loss of associates and joint ventures accounted for using the equity method, net gain (loss) on foreign currency exchange, net gain (loss) on fair value change of financial assets at fair value through profit or loss, other non-operating income and expenses, net and income tax expense, etc.

## E INK HOLDINGS INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE SIX MONTHS ENDED JUNE 30, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount (Note 1)	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)
													Item	Value		
1	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd. (Note 3)	Other receivables	Yes	\$ 957,468 (RMB 205,022 thousand)	\$ 943,834 (RMB 205,022 thousand)	\$ 943,834 (RMB 205,022 thousand)	3.915	Short-term financing	\$ -	Working capital	\$ -	Right-of-use land and building	\$ 469,981 (RMB 102,090 thousand)	\$ 1,215,352 (RMB 264,022 thousand)	\$ 1,215,352 (RMB 264,022 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	-	-	-	325,049 (RMB 70,608 thousand)	325,049 (RMB 70,608 thousand)

Note 1: The amounts are translated at the exchange rate on June 30, 2018, RMB1=NT\$4.60357, except the maximum amounts are translated at the highest exchange rate of the end of each month.

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

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

## E INK HOLDINGS INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount (Note 3)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 4)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	E Ink Holdings Inc.	E Ink Corporation	(Note 1)	\$ 6,625,682	\$ 1,138,100 (US\$ 38,000 thousand)	\$ 852,880 (US\$ 28,000 thousand)	\$ 304,600 (US\$ 10,000 thousand)	\$ -	3.22	\$ 26,502,729	Yes	No	No
		Dream Pacific International Corp.	(Note 1)	6,625,682	60,920 (US\$ 2,000 thousand)	60,920 (US\$ 2,000 thousand)	-	-	0.23	26,502,729	Yes	No	No
		PVI Global Corp.	(Note 1)	6,625,682	60,920 (US\$ 2,000 thousand)	60,920 (US\$ 2,000 thousand)	-	-	0.23	26,502,729	Yes	No	No
		Yuen Yu Investment Co., Ltd.	(Note 1)	6,625,682	800,000	800,000	411,500	-	3.02	26,502,729	Yes	No	No

Note 1: Subsidiary.

Note 2: At most 25% of the Corporation's net equity.

Note 3: The amounts are translated at the exchange rate on June 30, 2018, US\$1=NT\$30.46, except the maximum amounts are translated at the highest exchange rate of the end of each month.

Note 4: At most 100% of the Corporation's net equity.

## E INK HOLDINGS INC. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

JUNE 30, 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	June 30, 2018				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
E Ink Holdings Inc.	<u>Shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	88,678	\$ 975,457	0.80	\$ 975,457	
	YFY Inc.	Investments accounted for using the equity method	Financial assets at FVTOCI	7,814	94,159	0.47	94,159	
	Ultra Chip, Inc.	Corporate director	Financial assets at FVTOCI	2,863	96,757	4.48	96,757	
	Ignis Innovation Inc.	-	Financial assets at FVTPL	388	-	0.22	-	
	New Medical Imaging (NMI)	-	Financial assets at FVTPL	109	-	2.37	-	
Yuen Yu Investment Co., Ltd.	<u>Shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	112,750	1,240,252	1.02	1,240,252	
	YFY Inc.	Investments in parent company accounted for using the equity method	Financial assets at FVTOCI	16	193	-	193	
	Netronix, Inc.	Corporate director	Financial assets at FVTOCI	5,309	209,713	6.38	209,713	
	SES-imagotag	-	Financial assets at FVTOCI	867	680,617	6.01	680,617	
	Fitipower Integrated Technology Inc.	-	Financial assets at FVTOCI	2,689	100,017	1.90	100,017	
	Formolight Technologies, Inc.	-	Financial assets at FVTOCI	2,228	17,475	10.93	17,475	
	Echem Solutions Corp.	-	Financial assets at FVTOCI	643	25,424	1.27	25,424	
SiPix Technology, Inc.	<u>Shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	30,811	338,920	0.28	338,920	
Transcend Optronics (Yangzhou) Co., Ltd.	<u>Shares</u>							
	Wuxi Vision Peak Technology Corporation Limited	-	Financial assets at FVTOCI	4,500	RMB 39,326 thousand	10.00	RMB 39,326 thousand	
	Dalian DKE LCD Co., Ltd.	-	Financial assets at FVTOCI	837	RMB 2,472 thousand	3.52	RMB 2,472 thousand	

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



## E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE SIX MONTHS ENDED JUNE 30, 2018  
 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments (Note)	Ending Balance	
					Number of Shares in thousands	Amount	Number of Shares in thousands	Amount	Number of Shares in thousands	Amount	Carrying Amount	Gain (Loss) on Disposal		Number of Shares in thousand	Amount
Yuen Yu Investment Co., Ltd.	Shares SES-imagotag	Financial assets at fair value through other comprehensive income	-	-	-	\$ -	867	\$ 916,630	-	\$ -	\$ -	\$ -	\$ (236,013)	867	\$ 680,617

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

## 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 SIX MONTHS ENDED JUNE 30, 2018  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note)	
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Sale	\$ (2,123,953)	(36)	Payment terms were based on agreements	\$ -	-	\$ 1,053,392	25	
	PVI International Corp.	Subsidiary	Sale	(1,006,639)	(17)	Payment terms were based on agreements	-	-	168,018	4	
	E Ink Corporation	Subsidiary	Purchase	1,977,132	44	Payment terms were based on agreements	-	-	(761,664)	(18)	
	SiPix Technology, Inc.	Subsidiary	Sale	(625,813)	(11)	Payment terms were based on agreements	-	-	231,713	6	
	Transyork Technology Yangzhou Ltd.	Subsidiary	Purchase	523,914	12	Payment terms were based on agreements	-	-	(2,013,273)	(48)	
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Purchase	300,567	7	Payment terms were based on agreements	-	-	(663,189)	(16)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	179,258	4	Payment terms were based on agreements	-	-	-	-	
SiPix Technology, Inc.	E Ink Holdings Inc.	Parent company	Purchase	625,813	86	Payment terms were based on agreements	-	-	(231,713)	(77)	
	E Ink Corporation	Same ultimate parent company	Purchase	104,969	14	Payment terms were based on agreements	-	-	(68,432)	(23)	
Prime View Communications Ltd.	E Ink Holdings Inc.	Parent company	Purchase	2,123,953	100	Payment terms were based on agreements	-	-	(1,053,392)	(100)	
PVI International Corp.	E Ink Holdings Inc.	Parent company	Purchase	1,006,639	100	Payment terms were based on agreements	-	-	(168,018)	(100)	
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	Sale	(300,567)	(100)	Payment terms were based on agreements	-	-	663,189	100	
Transyork Technology Yangzhou Ltd.	E Ink Holdings Inc.	Parent company	Sale	(523,914)	(100)	Payment terms were based on agreements	-	-	2,013,273	100	
E Ink Corporation	E Ink Holdings Inc.	Parent company	Sale	(1,977,132)	(94)	Payment terms were based on agreements	-	-	761,664	87	
	SiPix Technology, Inc.	Same ultimate parent company	Sale	(104,969)	(5)	Payment terms were based on agreements	-	-	68,432	8	
	E Ink California, LLC	Subsidiary	Purchase	197,439	42	Payment terms were based on agreements	-	-	(297,181)	(63)	
E Ink Corporation, LLC	E Ink Corporation	Parent company	Sale	(197,439)	(100)	Payment terms were based on agreements	-	-	297,181	100	

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

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

## E INK HOLDINGS INC. AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	\$ 1,053,392	4.37	\$ -	-	\$ 229,673	\$ -
	PVI International Corp.	Subsidiary	168,018	8.36	-	-	-	-
	SiPix Technology, Inc.	Subsidiary	231,713	4.30	-	-	97,014	-
	SiPix Technology, Inc.	Subsidiary	746,500	(Note 2)	-	-	746,191	-
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	1,095,592	(Note 1)	-	-	61,705	-
	Transyork Technology Yangzhou Ltd.	Subsidiary	1,398,427	(Note 1)	300,820	Collected	776,803	-
	E Ink Corporation	Subsidiary	160,268	0.12	152,974	In the process of collection	31,188	-
Linfiny Corporation	Linfiny Japan Inc.	Subsidiary	174,879	(Note 3)	146,513	In the process of collection	-	-
Tech Smart Logistics Ltd.	E Ink Holdings Inc.	Parent company	654,663	(Note 1)	654,663	In the process of collection	-	-
Dream Pacific International Corp.	Tech Smart Logistics Ltd.	Same ultimate parent company	175,190	(Note 1)	175,190	In the process of collection	-	-
PVI Global Corp.	Dream Pacific International Corp.	Subsidiary	246,726	(Note 2)	246,726	In the process of collection	-	-
Linfiny Japan Inc.	Linfiny Corporation	Parent company	197,195	0.68	167,582	In the process of collection	29,613	-
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	663,189	(Note 1)	-	-	60,975	-
Transyork Technology Yangzhou Ltd.	E Ink Holdings Inc.	Parent company	2,013,273	(Note 1)	355,781	Collected	790,146	-
E Ink Corporation	E Ink Holdings Inc.	Parent company	761,664	6.44	413,322	Collected	492,162	-
E Ink California, LLC	E Ink Corporation	Parent company	297,181	1.39	194,150	In the process of collection	61,968	-

Note 1: Other receivables from goods processed.

Note 2: Cash dividends receivables.

Note 3: Receivables from advance payments.

Note 4: Intercompany transactions have been eliminated upon consolidation.

## E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE SIX MONTHS ENDED JUNE 30, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2018			Net Profit (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2018	December 31, 2017	Shares (In Thousands)	%	Carrying Amount			
E Ink Holdings Inc.	PVI Global Corp. New Field e-Paper Co., Ltd. E Ink Corporation	British Virgin Islands	Investment	\$ 3,090,254	\$ 3,090,254	99,413	100.00	\$ 10,476,580	\$ 748,766	\$ 748,766	
		Taoyuan, Taiwan	Wholesale and sale of electronics parts	6,394,455	6,394,455	671,032	100.00	5,638,208	(92,832)	(92,832)	
		Boston, Massachusetts, USA	Manufacture and sale of electronic ink	4,911,303	4,911,303	1	45.31	4,276,117	293,876	(78,262)	
	Yuen Yu Investment Co., Ltd. SiPix Technology, Inc. Dream Universe Ltd. Prime View Communications Ltd. Entte K Co., Ltd. Tech Smart Logistics Ltd. Hot Tracks International Ltd.	Taipei, Taiwan	Investment	5,015,000	5,015,000	152,433	100.00	2,115,544	(54,155)	(54,155)	
		Taoyuan, Taiwan	Manufacture and sale of electronic ink	1,405,230	1,405,230	-	100.00	1,589,897	326,308	326,308	
		Mauritius	Trading	128,710	128,710	4,050	100.00	364,442	4,246	4,246	
		Hong Kong	Trading	18,988	18,988	3,570	100.00	27,627	395	395	
		Taichung, Taiwan	Manufacture and sale of consumer audio-visual systems	34,547	34,547	2,203	47.07	-	-	-	Under liquidation
		British Virgin Islands	Trading	49,267	49,267	1,550	0.09	3,983	(70,460)	(63)	
		British Virgin Islands	Trading	1,735	1,735	50	100.00	28	7	7	
New Field e-Paper Co., Ltd.	Tech Smart Logistics Ltd. E Ink Corporation	British Virgin Islands	Trading	4,865,850	4,865,850	1,748,252	99.91	4,421,504	(70,460)	(70,397)	
		Boston, Massachusetts, USA	Manufacture and sale of electronic ink	1,618,500	1,618,500	-	12.88	1,215,546	293,876	(22,247)	
Yuen Yu Investment Co., Ltd.	Linfiny Corporation YuanHan Materials Inc. Lucky Joy Holdings Ltd. Yuen Foong Yu Biotech Co., Ltd. Kyoritsu Optronics Co., Ltd.,	Taoyuan, Taiwan	Research, development and sale of electronic ink	323,400	323,400	32,340	77.00	170,810	(47,075)	(36,248)	
		Taoyuan, Taiwan	Manufacture and sale of electronics parts	100,000	24,000	10,000	100.00	70,142	(15,207)	(16,486)	
		Samoa	Investment	36,117	36,117	1,098	100.00	11	-	-	
		Taipei, Taiwan	Cultivation, processing and sale of agriculture and restaurant management	36,000	36,000	3,600	36.00	-	(23,977)	-	
		Taipei, Taiwan	Technology development, transfer and licensing of flat panels	18,860	18,860	1,050	25.65	-	-	-	Under liquidation
SiPix Technology, Inc.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	16,800	16,800	1,680	4.00	8,873	(47,075)	(1,883)	
Linfiny Corporation	Linfiny Japan Inc.	Tokyo, Japan	Research, development and sale of electronic ink	11,088	11,088	4	100.00	18,498	2,637	2,637	
E Ink Corporation	E Ink California, LLC E Ink Japan Inc. E Ink Systems, LLC	California, USA	Research, development and sale of electronic ink	US\$ 29,100 thousand	US\$ 29,100 thousand	27,400	100.00	US\$ 28,599 thousand	1,591 thousand	568 thousand	
		Tokyo, Japan	Development of electronic ink products	US\$ 86 thousand	US\$ 86 thousand	-	100.00	US\$ 106 thousand	(16) thousand	(16) thousand	
		California, USA	Research and development of application software	US\$ 337 thousand	US\$ 337 thousand	-	100.00	US\$ 726 thousand	46 thousand	46 thousand	
Tech Smart Logistics Ltd.	E Ink Corporation	Boston, Massachusetts, USA	Manufacture and sale of electronic ink	US\$ 152,875 thousand	US\$ 152,875 thousand	1	41.81	US\$ 129,509 thousand	10,980 thousand	(2,427) thousand	
PVI Global Corp.	PVI International Corp. Dream Pacific International Corp. Ruby Lustre Ltd. North Diamond International Co., Ltd. Rock Pearl International Corp.	British Virgin Islands	Trading	US\$ 151,300 thousand	US\$ 151,300 thousand	151,300	100.00	US\$ 99,933 thousand	(7,305) thousand	(7,305) thousand	
		British Virgin Islands	Sale of LCD monitor products	US\$ 1,000 thousand	US\$ 1,000 thousand	26,000	100.00	US\$ 171,284 thousand	33,362 thousand	33,362 thousand	
		British Virgin Islands	Investment	US\$ 30,000 thousand	US\$ 30,000 thousand	30,000	100.00	US\$ 26,678 thousand	(26) thousand	(26) thousand	
		British Virgin Islands	Investment	US\$ 1,750 thousand	US\$ 1,750 thousand	1,750	35.00	-	-	-	
		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\$ 180,151 thousand	35,294 thousand	33,994 thousand	

Note: Intercompany transactions have been eliminated upon consolidation.

TABLE 8

## E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2018 (Note 1)	Net Profit (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Amount as of June 30, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of June 30, 2018
					Outward	Inward						
Transcend Optronics (Yangzhou) Co., Ltd. (Note 6)	Assembly of LCD flat panels	\$ 4,608,598 (US\$ 151,300 thousand)	The Corporation indirectly owns the investee through an investment company registered in a third region	\$ 3,315,419 (US\$ 108,845 thousand)	\$ -	\$ -	\$ 3,315,419 (US\$ 108,845 thousand)	\$ (206,286) (US\$ (6,984) thousand)	100.00	\$ (216,063) (US\$ (7,315) thousand)	\$ 3,038,294 (US\$ 99,747 thousand)	\$ -
Rich Optronics (Yangzhou) Co., Ltd. (Note 6)	Assembly of LCD flat panels	913,800 (US\$ 30,000 thousand)	The Corporation indirectly owns the investee through an investment company registered in a third region	913,800 (US\$ 30,000 thousand)	-	-	913,800 (US\$ 30,000 thousand)	(768) (US\$ (26) thousand)	100.00	(768) (US\$ (26) thousand)	812,612 (US\$ 26,678 thousand)	-
Transyork Technology Yangzhou Ltd. (Note 6)	Assembly of LCD flat panels	2,191,018 (US\$ 71,931 thousand)	The Corporation indirectly owns the investee through an investment company registered in a third region	-	-	-	-	(26,081) (US\$ (883) thousand)	100.00	(20,469) (US\$ (693) thousand)	1,751,176 (US\$ 57,491 thousand)	-
Transyang Electronics (Yangzhou) Ltd. (Note 6)	Assembly of LCD flat panels	121,840 (US\$ 4,000 thousand)	The Corporation indirectly owns the investee through an investment company registered in a third region	121,840 (US\$ 4,000 thousand)	-	-	121,840 (US\$ 4,000 thousand)	1,890 (US\$ 64 thousand)	100.00	1,890 (US\$ 64 thousand)	109,930 (US\$ 3,609 thousand)	-
Transmart Electronics (Yangzhou) Ltd. (Note 6)	Research, development and sale of LCD monitors	302,041 (US\$ 9,916 thousand)	The Corporation indirectly owns the investee through an investment company registered in a third region	201,341 (US\$ 6,610 thousand)	-	-	201,341 (US\$ 6,610 thousand)	7,650 (US\$ 259 thousand)	100.00	7,650 (US\$ 259 thousand)	33,293 (US\$ 1,093 thousand)	-
Yangzhou Huaxia Integrated O/E System Co., Ltd. (Note 6)	Manufacture and sale of LED products	566,556 (US\$ 18,600 thousand)	The Corporation indirectly owns the investee through an investment company registered in a third region	91,380 (US\$ 3,000 thousand)	-	-	91,380 (US\$ 3,000 thousand)	(26,199) (US\$ (887) thousand)	100.00	(26,199) (US\$ (887) thousand)	(892,630) (US\$ (29,305) thousand)	-
Ultraview Technology Ltd. (under liquidation)	Assembly of automobile LCD monitors	293,025 (US\$ 9,620 thousand)	The Corporation indirectly owns the investee through an investment company registered in a third region	33,445 (US\$ 1,098 thousand)	-	-	33,445 (US\$ 1,098 thousand)	-	(Note 4)	-	-	-
Dihao Electronics (Yangzhou) Co., Ltd.	Assembly of LCD backlight board display modules	152,300 (US\$ 5,000 thousand)	The Corporation indirectly owns the investee through an investment company registered in a third region	53,305 (US\$ 1,750 thousand)	-	-	53,305 (US\$ 1,750 thousand)	-	35.00	-	-	-

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2018 (Note 1)	Net Profit (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Amount as of June 30, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of June 30, 2018
					Outward	Inward						
Hydis Shenzhen Ltd. (under liquidation) (Note 6)	Sale of LCD monitor products	\$ 2,071 (US\$ 68 thousand)	The Corporation indirectly owns the investee through an investment company registered in a third region	\$ -	\$ -	\$ -	\$ -	\$ 1 (KRW 27 thousand)	94.73	\$ 1 (KRW 25 thousand)	\$ (932) (KRW (33,851) thousand)	\$ -
NTX Electronics Yangzhou Co., Ltd.	Manufacture and sale of flat panels	184,143 (RMB 40,000 thousand)	The Corporation indirectly owns the investee through an investment company registered in a third region	-	-	-	-	(34,059) (RMB (7,342) thousand)	49.00	(16,711) (RMB (3,598) thousand)	73,144 (RMB 15,889 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,730,530 (US\$ 155,303 thousand)	\$ 8,224,535 (US\$ 270,011 thousand)	\$ 17,170,964

Note 1: The amounts are translated at the exchange rate on June 30, 2018, US\$1=NT\$30.46, RMB1=NT\$4.60357, KRW1=NT\$0.02752.

Note 2: The amounts are translated at the average exchange rate of the six months ended June 30, 2018, US\$1=NT\$29.537, RMB1=NT\$4.63886, KRW1=NT\$0.02765.

Note 3: The carrying amount and related investment income of the equity investment were calculated based on unreviewed financial statements of the corresponding period, except Transcend Optronics (Yangzhou) Co., Ltd., Rich Optronics (Yangzhou) Co., Ltd. and Transyork Technology Yangzhou Ltd.

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

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

Note 6: Intercompany transactions have been eliminated upon consolidation.

(Concluded)

## E INK HOLDINGS INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2018  
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Notes and accounts receivable from related parties	\$ 1,053,392	The prices and payment terms were based on agreements	2.8
		Prime View Communications Ltd.	Subsidiary	Sales	2,123,953	The prices and payment terms were based on agreements	32.6
		PVI International Corp.	Subsidiary	Sales	1,006,639	The prices and payment terms were based on agreements	15.5
		Tech Smart Logistics Ltd.	Subsidiary	Notes and accounts payable to related parties	654,663	The prices and payment terms were based on agreements	1.8
		E Ink Corporation	Subsidiary	Notes and accounts payable to related parties	761,664	The prices and payment terms were based on agreements	2.0
		E Ink Corporation	Subsidiary	Cost of goods sold	1,977,132	The prices and payment terms were based on agreements	30.4
		SiPix Technology, Inc.	Subsidiary	Other receivables from related parties	746,500	The prices and payment terms were based on agreements	2.0
		SiPix Technology, Inc.	Subsidiary	Sales	625,813	The prices and payment terms were based on agreements	9.6
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Notes and accounts receivable from related parties	1,095,592	The prices and payment terms were based on agreements	2.9
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Notes and accounts payable to related parties	663,189	The prices and payment terms were based on agreements	1.8
		Transyork Technology Yangzhou Ltd.	Subsidiary	Notes and accounts receivable from related parties	1,398,427	The prices and payment terms were based on agreements	3.8
		Transyork Technology Yangzhou Ltd.	Subsidiary	Notes and accounts payable to related parties	2,013,273	The prices and payment terms were based on agreements	5.4
		Transyork Technology Yangzhou Ltd.	Subsidiary	Cost of goods sold	523,914	The prices and payment terms were based on agreements	8.0
1	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Subsidiary	Other receivables from related parties	973,063	The prices and payment terms were based on agreements	2.6

Note 1: Intercompany transactions have been eliminated upon consolidation.

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