INNOLUX CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

REPORT OF INDEPENDENT ACCOUNTANTS

To The Board of Directors and Shareholders of INNOLUX CORPORATION AND SUBSIDIARIES

Opinion

We have audited the accompanying consolidated balance sheets of Innolux Corporation (the "Company") and its subsidiaries as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

The key audit matters in relation to the financial statements for the year ended December 31, 2017 are outlined as follows:

Inventory valuation

Description

The industry is characterized in its significant fluctuations closely in connection with the economic environment. As the technology evolves rapidly, the Group's existing products may become obsolete when the customers demand for new products or the Group fails to compete with the evolutionary production approach. The abovementioned factors thus affect the sales amount ultimately. The Group has evaluated the inventory by taking into account of allowance, obsoleteness or trivial sales amount and the cost has been written down to the net realizable value. For details of inventory, please refer to Note 6(6). As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is dependent upon significant management judgement, we consider inventory valuation a key audit matter.

How our audit addressed the matter

We assessed whether the accounting policies on the provision for the loss on decline in value and obsoleteness of inventory are reasonable and in accordance with the accounting principles, as well as whether they are applied consistently. We examined inventory aging report and assessed the reasonableness of provision for the loss on slow-moving inventory. We also assessed the reasonableness of net realizable value and the appropriateness of valuation basis.

Additions to property, plant and equipment

Description

The Group's capital expenditures increased with its operational growth. For details of property, plant and equipment, please refer to Notes 6(8) and (28). As the amount of property, plant and equipment is material, we identified the additions to property, plant and equipment a key audit matter.

How our audit addressed the matter

We assessed and tested the effectiveness of internal controls related to additions to property, plant and equipment, including sampling and checking purchase orders and invoices as to whether the transactions have been approved appropriately and the correctness of the recorded amounts. We also checked the related receipts or acceptance documents to ensure that additions are recognized in appropriate period. In addition, through sampling method, we conducted physical observation of certain assets to confirm that the purchased items exist.

Valuation and impairment of goodwill and property, plant and equipment

Description

For details of the impairment valuation of goodwill and property, plant and equipment, please refer to Note 6(10).

Innolux Corporation estimates future cash flows based on appropriate discount rates. In determining whether goodwill and property, plant and equipment may be impaired, the recoverable amount of the cash generating unit is measured based on how assets are utilized, duration years of assets and projected income and expenses in the future. The estimate involves several assumptions such as determination of discount rates, expected growth rate and future financial projections. As these estimates are dependent upon significant management judgement, we consider management's assessment of impairment of goodwill and property, plant and equipment a key audit matter.

How our audit addressed the matter

We assessed the key assumptions used by management in estimating expected future cash flows, including the reasonableness of expected operating revenue, gross profit, changes in expenses, and the basic assumptions applied in expected future cash flows. We also examined the parameters of discount rates, including the risk-free rate of return on equity capital, the risk factor of the industry and the rate of return on similar investments in the market.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Innolux Co., Ltd. as at and for the years ended December 31, 2017 and 2016.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers, Taiwan

February 9, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017	December 31, 2016
	Current Assets			
1100	Cash and cash equivalents	6(1)	$ 65,988,955	$ 35,384,839
1110	Financial assets at fair value through profit or loss - current	6(2)	405,060	64,241
1170	Accounts receivable, net	6(4)(5)	41,322,705	52,855,632
1180	Accounts receivable, net - related parties	7	17,727,082	11,599,359
1200	Other receivables	7	1,212,164	2,034,427
130X	Inventory	6(6)	30,259,021	23,401,728
1410	Prepayments		1,487,832	1,552,373
1479	Other current assets	6(1) and 8	127,136	105,532
11XX	**Total current assets**		158,529,955	126,998,131
	Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	6(2)	257,676	250,101
1523	Available-for-sale financial assets - non-current	6(3)	6,555,189	5,840,929
1550	Investments accounted for under equity method	6(7)	1,491,139	1,517,418
1600	Property, plant and equipment	6(8), 7 and 8	220,864,627	201,360,858
1760	Investment property, net	6(9)	562,697	573,425
1780	Intangible assets	6(10) and 8	17,910,908	18,446,321
1840	Deferred income tax assets	6(26)	6,348,761	14,698,143
1990	Other non-current assets	6(8) and 8	2,337,806	1,794,222
15XX	**Total non-current assets**		256,328,803	244,481,417
1XXX	**Total assets**		$ 414,858,758	$ 371,479,548

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INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017	December 31, 2016
	Current Liabilities			
2100	Short-term borrowings	6(11)	$ -	$ 11,583,750
2120	Financial liabilities at fair value through profit or loss - current	6(2)	52,500	1,190,148
2170	Accounts payable		50,876,500	51,875,305
2180	Accounts payable - related parties	7	2,565,010	5,120,235
2200	Other payables	6(12) and 7	58,897,804	22,916,097
2230	Current income tax liabilities		1,891,188	1,912,797
2250	Provisions - current	6(16) and 9	5,460,862	3,765,234
2320	Long-term liabilities, current portion	6(13)	10,951,114	16,381,686
2399	Other current liabilities		1,199,194	1,420,652
21XX	**Total current liabilities**		131,894,172	116,165,904
	Non-current liabilities			
2540	Long-term borrowings	6(13)	17,287,788	28,128,467
2570	Deferred income tax liabilities	6(26)	734,423	672,971
2600	Other non-current liabilities	6(14)	617,327	505,843
25XX	**Total non-current liabilities**		18,639,538	29,307,281
2XXX	**Total liabilities**		150,533,710	145,473,185
	Equity attributable to owners of the parent			
3110	**Share capital - common stock**	6(17)	99,520,720	99,521,488
3200	**Capital surplus**	6(18)	99,646,919	99,647,810
	Retained earnings	6(19)		
3310	Legal reserve		3,945,576	3,758,507
3320	Special reserve		3,418,804	-
3350	Unappropriated retained earnings		58,883,750	26,497,362
3400	**Other equity interest**	6(20)	(1,090,721)	(3,418,804)
3XXX	**Total equity**		264,325,048	226,006,363
3X2X	**Total liabilities and equity**		$ 414,858,758	$ 371,479,548

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

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2017	2016
4000	**Sales revenue**	7	$ 329,174,401	$ 287,089,277
5000	**Operating costs**	6(6)(24) and 7	(260,435,724)	(261,000,786)
5900	**Net operating margin**		68,738,677	26,088,491
	Operating expenses	6(24)		
6100	Selling expenses		(1,942,594)	(2,301,561)
6200	General and administrative expenses		(6,857,153)	(6,241,602)
6300	Research and development expenses		(12,916,721)	(11,132,079)
6000	**Total operating expenses**		(21,716,468)	(19,675,242)
6900	**Operating profit**		47,022,209	6,413,249
	Non-operating income and expenses			
7010	Other income	6(21)	2,528,814	2,388,895
7020	Other gains and losses	6(22)	(154,188)	(3,103,952)
7050	Finance costs	6(23)	(730,500)	(893,526)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	274,854	187,454
7000	**Total non-operating income and expenses**		1,918,980	(1,421,129)
7900	**Profit before income tax**		48,941,189	4,992,120
7950	Income tax expense	6(26)	(11,912,580)	(3,121,433)
8200	**Profit for the period**		$ 37,028,609	$ 1,870,687
	Other comprehensive (loss) income (net)			
	Components of other comprehensive (loss) income that will not be reclassified to profit or loss			
8311	Remeasurement of defined benefit obligations		($ 49,571)	$ 44,027
8349	Income tax relating to the components of other comprehensive income that will not be reclassified		8,427	(7,485)
8310	**Components of other comprehensive (loss) income that will not be reclassified to profit or loss**		(41,144)	36,542
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	6(20)		
8361	Financial statements translation differences of foreign operations		(1,643,264)	(5,708,026)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets		4,322,008	(339,384)
8370	Share of other comprehensive loss of associates and joint ventures accounted for under equity method		(33,551)	(27,676)
8399	Income tax relating to the components of other comprehensive loss that will be reclassified	6(26)	(317,110)	(113,457)
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**		2,328,083	(6,188,543)
8300	**Other comprehensive income (loss) for the year, net of tax**		$ 2,286,939	($ 6,152,001)
8500	**Total comprehensive income (loss) for the year**		$ 39,315,548	($ 4,281,314)
	Profit attributable to:			
8610	Owners of the parent		$ 37,028,609	$ 1,870,687
	Other comprehensive income (loss) attributable to:			
8710	Owners of the parent		$ 39,315,548	($ 4,281,314)
	Earnings per share (in dollars)	6(27)		
9750	**Basic earnings per share**		$ 3.72	$ 0.19
9850	**Diluted earnings per share**		$ 3.63	$ 0.19

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

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent								
				Retained Earnings			Other Equity Interest			
	Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Employee unearned compensation	Total
2016										
Balance at January 1		$ 99,532,372	$ 99,643,564	$ 2,676,947	$ -	$ 27,661,503	$ 1,695,294	$ 1,074,445	($ 19,402)	$ 232,264,723
Appropriations of 2015 earnings:	6(19)									
Legal reserve		-	-	1,081,560	-	(1,081,560)	-	-	-	-
Cash dividends		-	-	-	-	(1,989,810)	-	-	-	(1,989,810)
Cancellation of restricted stock to employees		(10,884)	10,884	-	-	-	-	-	-	-
Changes in restricted stock to employees		-	(4,068)	-	-	-	-	-	4,142	74
Compensation related to share-based payment	6(15)	-	-	-	-	-	-	-	15,260	15,260
Recognition of change in equity of associates in proportion to the Group's ownership	6(18)	-	(2,570)	-	-	-	-	-	-	(2,570)
Profit for the year		-	-	-	-	1,870,687	-	-	-	1,870,687
Other comprehensive loss for the year	6(20)	-	-	-	-	36,542	(5,735,702)	(452,841)	-	(6,152,001)
Balance at December 31		$ 99,521,488	$ 99,647,810	$ 3,758,507	$ -	$ 26,497,362	($ 4,040,408)	$ 621,604	$ -	$ 226,006,363
2017										
Balance at January 1		$ 99,521,488	$ 99,647,810	$ 3,758,507	$ -	$ 26,497,362	($ 4,040,408)	$ 621,604	$ -	$ 226,006,363
Appropriations of 2016 earnings:	6(19)									
Legal reserve		-	-	187,069	-	(187,069)	-	-	-	-
Special reserve		-	-	-	3,418,804	(3,418,804)	-	-	-	-
Cash dividends		-	-	-	-	(995,204)	-	-	-	(995,204)
Cancellation of restricted stock to employees		(768)	768	-	-	-	-	-	-	-
Recognition of change in equity of associates in proportion to the Group's ownership	6(18)	-	(1,659)	-	-	-	-	-	-	(1,659)
Profit for the year		-	-	-	-	37,028,609	-	-	-	37,028,609
Other comprehensive income for the year	6(20)	-	-	-	-	(41,144)	(1,676,815)	4,004,898	-	2,286,939
Balance at December 31		$ 99,520,720	$ 99,646,919	$ 3,945,576	$ 3,418,804	$ 58,883,750	($ 5,717,223)	$ 4,626,502	$ -	$ 264,325,048

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

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		$ 48,941,189	$ 4,992,120
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortization	6(24)	33,564,048	41,418,534
Compensation related to share-based payment	6(24)	-	15,260
Share of loss of associates and joint ventures accounted for under equity method	6(7)	(274,854)	(187,454)
(Gain) loss from disposal of investments	6(22)	(2,483,645)	23,258
Loss on disposal of property, plant and equipment	6(22)	597,261	163,659
Impairment loss	6(22)	3,120,824	502,857
Interest expense	6(23)	730,500	874,879
Interest income	6(21)	(472,331)	(291,240)
Dividend income	6(21)	(151,677)	(177,880)
Unrealized foreign exchange (gain) loss		(4,725)	4,725
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets /liabilities at fair value through profit or loss		(1,486,042)	1,012,239
Accounts receivable		11,532,927	(4,665,841)
Accounts receivable - related parties		(6,127,723)	(8,966,506)
Other receivables		845,803	1,648,507
Inventories		(6,857,293)	5,864,361
Prepayments		64,541	(444,504)
Other current assets		23,807	(7,263)
Changes in operating liabilities			
Accounts payable		(998,805)	(5,194,646)
Accounts payable - related parties		(2,555,225)	1,760,302
Other payables		6,975,259	(1,636,830)
Provisions - current		1,695,628	(1,786,525)
Other current liabilities		(221,458)	289,323
Other non-current liabilities		16,688	(12,343)
Cash inflow generated from operations		86,474,697	35,198,992
Cash paid for income tax		(3,832,038)	(1,799,745)
Net cash flows from operating activities		82,642,659	33,399,247

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INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		($ 122,755)	$ -
Proceeds from disposal of available-for-sale financial assets		2,907,052	222,372
Proceeds from capital reduction of available-for-sale financial assets		145,575	159,335
Proceeds from capital reduction and return of investments accounted for under equity method		-	23,680
(Increase) decrease in other financial assets		(45,381)	2,091,694
Acquisition of property, plant and equipment	6(28)	(25,016,706)	(44,152,843)
Proceeds from disposal of property, plant and equipment		263,357	42,268
Acquisition of intangible assets		(327,760)	(22,251)
(Increase) decrease in other non-current assets		(2,404)	38,230
Interest received		448,903	326,610
Dividends received		418,010	404,576
Net cash flows used in investing activities		(21,332,109)	(40,866,329)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(11,579,025)	11,579,025
Increase in long-term borrowings		-	822,702
Payment of long-term borrowings		(16,440,000)	(16,440,000)
Repurchase from issuance of restricted stock to employees		-	(1,372)
Interest paid		(588,511)	(747,143)
Cash dividends paid	6(19)	(995,204)	(1,989,810)
Net cash flows used in financing activities		(29,602,740)	(6,776,598)
Effect of changes in foreign currency exchange		(1,103,694)	(2,894,271)
Net increase (decrease) in cash and cash equivalents		30,604,116	(17,137,951)
Cash and cash equivalents at beginning of year		35,384,839	52,522,790
Cash and cash equivalents at end of year		$ 65,988,955	$ 35,384,839

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

INNOLUX CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1)Innolux Corporation (the "Company") was organized on January 14, 2003 under the Act for Establishment and Administration of Science Parks in the Republic of China (R.O.C.). The Company was listed on the Taiwan Stock Exchange Corporation (the "TSEC") in October 2006. The Company merged with TPO Displays Corporation and Chi Mei Optoelectronics Corporation on March 18, 2010, with the Company as the surviving entity.

(2)The Company and its subsidiaries (the "Group") engage in the research, development, design, manufacture, and sales of TFT-LCD panels, modules and monitors of LCD, color filter, and low temperature poly-silicon TFT-LCD.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on February 9, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations, and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

Annual improvements to IFRSs 2010-2012 cycle — IFRS 8, ‘Operating segments’

The standard is amended to require disclosure of judgments made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets is required only when segment asset is provided to chief operating decision maker regularly.

(2) <u>Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group</u>

New standards, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

A. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses (‘ECL’) or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity’s risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of ‘rebalancing’; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

B. IFRS 15, ‘Revenue from contracts with customers’

IFRS 15, ‘Revenue from contracts with customers’ replaces IAS 11, ‘Construction Contracts’, IAS 18, ‘Revenue’, and relevant interpretations and SICs. According to IFRS 15, revenue is recognized when a customer obtains control of goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognize revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from Contracts with Customers’

The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; determine whether a company is a principal (the provider of goods or services) or an agent (responsible for arranging for the goods or services to be provided); and determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. Amendments to IAS 7, ‘Disclosure initiative’

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 and IFRS 15 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

A. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amount of $5,086,506, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of $5,086,506. There will be no effect on retained earnings and other equity interest.

B. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amounts of $1,468,683 by increasing financial assets at fair value through profit or loss in the amount of $1,468,683. There will be no effect on retained earnings and other equity interest.

C. Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Group expects to change the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognized as contract liabilities, but were previously presented as accounts receivable - allowance for sales returns and discounts in the balance sheet. As of January 1, 2018, the balance would amount to $2,327,123.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
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 International Accounting Standards Board
IFRS 16, ‘Leases’	January 1, 2019
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
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
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Significant inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2016	Description
Innolux Corporation	Bright Information Holding Ltd.	Investment holdings	100	100	-
	Golden Achiever International Limited	Investment holdings	100	100	-
	Innolux Holding Limited	Investment holdings	100	100	-
	Keyway Investment Management Limited	Investment holdings	100	100	-
	Landmark International Ltd.	Investment holdings	100	100	-
	Toppoly Optoelectronics (B.V.I.) Ltd.	Investment holdings	100	100	-
	Innolux Hong Kong Holding Limited	Investment holdings	100	100	-
	Leadtek Global Group Limited	Distribution company	100	100	-
	Yuan Chi Investment Co., Ltd.	Investment company	100	100	-
	InnoJoy Investment Corporation	Investment company	100	100	-
	Innolux Optoelectronics Europe B.V.	Investment and distribution company	-	100	(e)
	Innolux Japan Co., Ltd. (Formerly named: Innolux Optoelectronics Japan Co., Ltd.)	Investment, R&D, manufacturing and distribution company	49	100	(d)
	Innolux Corporation	Distribution company	100	-	(f)
	Innolux Technology USA Inc.	Distribution company	100	-	(f)
	Innolux Singapore Holding Pte. Ltd.	Investment holdings	100	-	(g)
Golden Achiever International Limited	VAP Optoelectronics (Nanjing) Corp.	Processing company	100	100	-
Innolux Holding Limited	Rockets Holding Ltd.	Investment holdings	100	100	-
	Suns Holding Ltd.	Investment holdings	100	100	-
	Lakers Trading Ltd.	Distribution company	100	100	-

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2017	December 31, 2016	
Innolux Holding Limited	Innolux Corporation	Distribution company	-	100	(f)
Keyway Investment Management Limited	Ningbo Innolux Logistics Ltd.	Warehousing company	-	100	(a)
	Foshan Innolux Logistics Ltd.	Warehousing company	100	100	-
Landmark International Ltd.	Ningbo Innolux Optoelectronics Ltd.	Processing company	100	100	-
	Foshan Innolux Optoelectronics Ltd.	Processing company	100	100	-
	Ningbo Innolux Display Ltd.	Processing company	100	100	-
Toppoly Optoelectronics (B.V.I.) Ltd.	Toppoly Optoelectronics (Cayman) Ltd.	Investment holdings	100	100	-
Innolux Hong Kong Holding Limited	Innolux Optoelectronics Hong Kong Holding Limited	Investment holdings	100	100	-
	Innolux Hong Kong Limited	Distribution company	100	100	-
	Innolux Europe B.V. (Formerly named: Innolux Technology Europe B.V.)	Investment, distribution, and R&D company	100	100	(e)
	Innolux Technology Japan Co., Ltd.	R&D company	-	100	(d)
	Innolux Technology USA Inc.	Distribution company	-	100	(f)
	Innolux Japan Co., Ltd. (Formerly named: Innolux Optoelectronics Japan Co., Ltd.)	Investment, R&D, manufacturing and distribution company	51	-	(d)
Innolux Optoelectronics Europe B.V.	Innolux Optoelectronics Germany GmbH	After sales service company	-	100	(e)
Innolux Japan Co., Ltd. (Formerly named: Innolux Optoelectronics Japan Co., Ltd.)	Innolux Optoelectronics USA, Inc.	Distribution company	100	100	-
Rockets Holding Ltd.	Best China Investments Ltd.	Investment holdings	-	100	(b)
	Mega Chance Investments Ltd.	Investment holdings	-	100	(b)
	Magic Sun Ltd.	Investment holdings	-	100	(b)
	Stanford Developments Ltd.	Investment holdings	100	100	-
	Nets Trading Ltd.	Investment company	100	100	-

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2016	Description
Suns Holding Ltd.	Warriors Technology Investments Ltd.	Investment company	100	100	-
Toppoly Optoelectronics (Cayman) Ltd.	Nanjing Innolux Technology Ltd.	Distribution company	100	100	-
	Nanjing Innolux Optoelectronics Ltd.	Processing company	100	100	(c)
	Kunpal Optoelectronics Ltd.	Processing company	-	100	(c)
Innolux Optoelectronics Hong Kong Holding Limited	Shanghai Innolux Optoelectronics Ltd.	Processing company	100	100	-
Innolux Europe B.V. (Formerly named: Innolux Technology Europe B.V.)	Innolux Technology Germany GmbH	Testing and maintenance company	100	100	-
	Innolux Optoelectronics Germany GmbH	After sales service company	100	-	(e)
Best China Investments Ltd.	Asiaward Investment Ltd.	Investment holdings	-	100	(a)
Mega Chance Investments Ltd.	Main Dynasty Investment Ltd.	Investment holdings	-	100	(a)
Magic Sun Ltd.	Sun Dynasty Development Ltd.	Investment holdings	-	100	(a)
Stanford Developments Ltd.	Innocom Technology (Shenzhen) Co., Ltd.	Processing company	100	100	-
Ningbo Innolux Display Ltd.	Ningbo Innolux Electornics Ltd.	Distribution company	100	100	-
Ningbo Innolux Optoelectronics ltd.	Ningbo Innolux Flent Electornics ltd.	Distribution company	100	100	-
Foshan Innolux Optoelectronics ltd.	Foshan Innolux Flent Electornics ltd.	Distribution company	100	100	-

(a) In the first quarter of 2017, the subsidiary had completed liquidation and dissolution.

(b) In the third quarter of 2017, the subsidiary had completed liquidation and dissolution.

(c) The Company conducted a merger of its subsidiaries, Nanjing Innolux Optoelectronics Ltd. and Kunpal Optoelectronics Ltd. which were wholly owned by the Company with the effective date of October 23, 2017. Nanjing Innolux Optoelectronics Ltd. was the surviving company while Kunpal Optoelectronics Ltd. was dissolved after the merger. Said transaction was accounted as reorganisation transaction.

(d) A subsidiary, Innolux Optoelectronics Japan Co., Ltd., which has 100% of shares directly owned by the Company, issued new shares to another subsidiary, Innolux Hong Kong Holding Limited, which also has 100% of shares directly owned by the Company, to obtain equity shares of and combined with Innolux Technology Japan Co., Ltd., which was reinvested by the Company. The surviving company was Innolux Optoelectronics Japan Co., Ltd. and the effective date was December 18, 2017. The transaction was accounted as reorganisation transaction. And Innolux Optoelectronics Japan Co., Ltd. was renamed Innolux Japan Co., Ltd. on December 2017.

(e) The Company's indirect 100% owned subsidiary, Innolux Technology Europe B.V., merged with a direct 100% owned subsidiary, Innolux Optoelectronics Europe B.V. The surviving company was Innolux Technology Europe B.V. which directly held a subsidiary that was reinvested by the Company, Innolux Optoelectronics Germany GmbH. The effective date was December 18, 2017, and the transaction was accounted as reorganisation transaction. And Innolux Technology Europe B.V. was renamed Innolux Europe B.V. on December 2017.

(f) The Company directly and wholly owned the 100% held reinvestment subsidiaries, Innolux Technology USA Inc. and Innolux Corporation, because of reorganisation in the fourth quarter of 2017. The transaction was accounted as reorganisation transaction.

(g) Innolux Singapore Holding Pte. Ltd. was incorporated during 2017. There was no capital injection as of December 31, 2017.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. The restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income statements as qualifying cash flow hedge.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the spot exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Time deposits and bonds sold under repurchase agreement that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are designated in this category.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(9) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of one financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(d) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. 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 loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group’s share of its associates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group’s ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in ‘capital surplus’ in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2~51 years
Machinery and equipment	5~11 years
Other equipment	2~6 years

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 25 ~ 50 years.

(17) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Patent, royalties and other intangible assets are amortized on a straight-line basis over their estimated useful lives of 2 ~ 10 years.

(18) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

A. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(20) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(22) Provisions

Provisions (including warranties, litigation, etc.) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(b) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks. The Group recognizes the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognizes the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(25) Income taxes

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Revenue recognition

The Group manufactures and sells TFT-LCD panel products. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group’s activities.

(27) Business combinations

A. The Group uses the acquisition method to account for business combinations. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity’s net assets in the event of liquidation at either fair value or the present ownership instruments’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. For the information of critical accounting judgements, estimates and key sources of assumption uncertainty is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Financial assets-impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired available-for-sale financial assets to profit.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) for the information of goodwill impairment.

B. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics.

Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand, checking accounts and demand deposits	$ 37,758,696	$ 8,392,955
Time deposits	27,562,983	26,326,649
	65,321,679	34,719,604
Cash equivalents - repurchase bonds	667,276	665,235
	$ 65,988,955	$ 35,384,839

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The above time deposits and bonds with repurchase agreement expire in 3 months and risks of changes in their values are remote. The remaining unpledged time deposits which did not meet the definition of cash equivalents were $50,541 and $4,998 at December 31, 2017 and 2016, respectively, and were classfied as ‘other current assets’.

(2) Financial assets and liabilities at fair value through profit or loss

Assets	December 31, 2017	December 31, 2016
Current items		
Financial assets held for trading		
Forward foreign exchange contracts	$ 328,170	$ 64,241
Forward exchange swap contracts	76,890	-
	$ 405,060	$ 64,241
Non-current items		
Financial assets held for trading		
Stock-Advanced Optoelectronic Technology Inc.	$ 48,040	$ 77,019
Valuation adjustment	209,636	173,082
	$ 257,676	$ 250,101

Liabilities	December 31, 2017	December 31, 2016
Current items		
Financial liabilities held for trading		
Forward foreign exchange contracts	$ 52,500	$ 1,190,148

A. The Group recognized net gain (loss) of $1,987,818 and ($1,244,206) on the financial instruments for the years ended December 31, 2017 and 2016, respectively.

B. The non-hedging derivative financial assets and liabilities transaction information are as follows:

	December 31, 2017			December 31, 2016		
Derivative financial assets and liabilities	Contract Amount (Notional Principal) (in thousands)		Contract Period	Contract Amount (Notional Principal) (in thousands)		Contract Period
Current items						
Forward foreign exchange contracts	USD (sell)	$ 400,000	2017/10-2018/3	USD (sell)	$ 360,000	2016/10-2017/3
	JPY (buy)	44,934,619	2017/10-2018/3	JPY (buy)	39,597,920	2016/10-2017/3
Forward foreign exchange contracts	EUR (sell)	15,800	2017/10-2018/2	TWD (sell)	621,240	2016/9-2017/2
	USD (buy)	18,841	2017/10-2018/2	USD (buy)	20,000	2016/9-2017/2
Forward foreign exchange contracts	EUR (sell)	34,200	2017/10-2018/3	EUR (sell)	19,000	2016/10-2017/1
	JPY (buy)	4,554,765	2017/10-2018/3	USD (buy)	20,706	2016/10-2017/1
Forward foreign exchange contracts	HKD (sell)	371,732	2017/12-2018/2	EUR (sell)	55,000	2016/9-2017/4
	EUR (buy)	40,000	2017/12-2018/2	JPY (buy)	6,516,335	2016/9-2017/4
Forward foreign exchange contracts	USD (sell)	430,000	2017/7-2018/2	EUR (sell)	8,960	2016/12-2017/1
	RMB (buy)	2,870,455	2017/7-2018/2	TWD (buy)	302,364	2016/12-2017/1
Forward foreign swap contracts	USD (sell)	410,000	2017/12-2018/1	USD (sell)	715,000	2016/9-2017/2
	TWD (buy)	12,289,569	2017/12-2018/1	RMB (buy)	4,948,754	2016/9-2017/2
				HKD (sell)	330,712	2016/10-2017/1
				EUR (buy)	39,000	2016/10-2017/1

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of import and export proceeds in foreign currency. However, these forward foreign exchange contracts are primarily for the requirement of capital management and not accounted for using hedge accounting.

(3) Available-for-sale financial assets

Items	December 31, 2017	December 31, 2016
Non-current items		
Listed stocks	$ 5,969,565	$ 5,295,578
Emerging and unlisted stocks	585,624	545,351
	$ 6,555,189	$ 5,840,929

A. The Group recognized net gain (loss) in other comprehensive income for fair value change and reclassified from equity to profit or loss for the years ended December 31, 2017 and 2016. Please refer to Note 6(20).

B. For the years ended December 31, 2017 and 2016, the Company and its subsidiary assessed that investment value of certain investee companies was impaired and recognized impairment loss of $3,120,824 and $500,000 which is listed as 'other gains and losses'.

(4) Notes receivable and accounts receivable

	December 31, 2017	December 31, 2016
Notes receivable	$ 27,641	$ -
Accounts receivable	43,731,467	53,798,678
	43,759,108	53,798,678
Less: Allowance for sales returns and discounts	(2,326,907)	(833,545)
Allowance for bad debts	(109,496)	(109,501)
	$ 41,322,705	$ 52,855,632

A. The Group's accounts receivable that were neither past due nor impaired meet the credit ranking rule based on the counterparties' industrial characteristics scale of business and profitability.

B. The aging analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2017	December 31, 2016
Up to 60 days	$ 3,321,622	$ 391,369
61 to 180 days	193,350	8,364
Over 180 days	1,258	-
	$ 3,516,230	$ 399,733

C. Movement analysis of accounts receivable and notes receivable that were impaired is as follows:

(a) As of December 31, 2017 and 2016, the Group's accounts receivable that were impaired were $109,496 and $109,501, respectively.

(b) Movement on allowance for bad debts for impairment loss on individual provision is as follows:

	2017	2016
At January 1	$ 109,501	$ 118,516
Allowance for bad debts - write-offs	-	(9,001)
Net exchange difference	(5)	(14)
At December 31	$ 109,496	$ 109,501

(5) Transfer of financial assets

The Company entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable and this is without right of recourse. However, the Company is liable for the losses incurred on any business dispute.

The Company does not provide collateral, and has no continuous involvement in the transferred accounts receivable. As a result, the Company derecognized the transferred accounts receivable.

As of December 31, 2017, all the accounts receivable sold were collected and as of December 31, 2017 and 2016, the Company entered into factoring agreements with CTBC Bank, Taipei Fubon Commercial Bank, and Bank of Taiwan in the amount of $18,451,200, $5,952,000, and $1,190,400; and $19,995,000, $6,450,000, and $0, respectively.

(6) Inventories

	December 31, 2017	December 31, 2016
Raw materials and supplies	$ 3,921,134	$ 3,352,916
Work in process	13,754,503	12,345,964
Finished goods	12,583,384	7,702,848
	$ 30,259,021	$ 23,401,728

A. For the years ended December 31, 2017 and 2016, the Company and subsidiaries recognized cost of goods sold for inventories that have been sold at $260,371,976 and $260,067,090, and recognized net inventory loss at $63,748 and $933,696 due to write down (reversal) of cost of scrap inventories to net realizable value, respectively.

B. Due to the earthquake which occurred in Kaohsiung, Taiwan on February 6, 2016, certain inventories were destroyed. Please refer to Note 10 for details.

(7) Investments accounted for under the equity method

	December 31, 2017	December 31, 2016
Ampower Holding Ltd.	$ 853,016	$ 870,941
FI Medical Device Manufacturing Co., Ltd.	525,926	451,943
Others	112,197	194,534
	$ 1,491,139	$ 1,517,418

The operating results of the Group's share in all individually immaterial associates are summarized below:

	Years ended December 31,	
	2017	2016
Profit for the year from continuing operations	$ 274,854	$ 187,454
Other comprehensive loss - net of tax	(33,551)	(27,676)
Total comprehensive income	$ 241,303	$ 159,778

(8) Property, plant and equipment

	2017				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Land	$ 3,852,792	$ -	$ -	$ -	$ 3,852,792
Buildings	193,290,765	561,168	(340,514)	2,906,444	196,417,863
Machinery and equipment	438,234,703	29,244,575	(7,438,732)	36,753,956	496,794,502
Other equipment	36,511,450	473,132	(1,199,395)	3,976,274	39,761,461
	671,889,710	30,278,875	(8,978,641)	43,636,674	736,826,618
Accumulated depreciation and impairment:					
Buildings	(105,693,860)	(9,118,112)	286,562	168,636	(114,356,774)
Machinery and equipment	(371,358,748)	(19,086,064)	6,777,534	(611,738)	(384,279,016)
Other equipment	(29,890,362)	(4,162,139)	1,151,295	(303,797)	(33,205,003)
	(506,942,970)	(32,366,315)	8,215,391	(746,899)	(531,840,793)
Unfinished construction and equipment under acceptance	36,414,118	23,779,405	(105,943)	(44,208,778)	15,878,802
	$201,360,858				$220,864,627

	2016				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Land	$ 3,852,792	$ -	$ -	$ -	$ 3,852,792
Buildings	185,696,326	67,493	(1,096,456)	8,623,402	193,290,765
Machinery and equipment	432,460,229	212,508	(4,382,487)	9,944,453	438,234,703
Other equipment	33,632,482	43,195	(1,216,192)	4,051,965	36,511,450
	655,641,829	323,196	(6,695,135)	22,619,820	671,889,710
Accumulated depreciation and impairment:					
Buildings	(95,892,428)	(11,362,947)	623,809	937,706	(105,693,860)
Machinery and equipment	(352,326,878)	(24,600,403)	4,341,598	1,226,935	(371,358,748)
Other equipment	(26,880,493)	(4,253,632)	1,267,015	(23,252)	(29,890,362)
	(475,099,799)	(40,216,982)	6,232,422	2,141,389	(506,942,970)
Unfinished construction and equipment under acceptance	18,940,710	43,195,259	(219,936)	(25,501,915)	36,414,118
	$199,482,740				$201,360,858

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	Years ended December 31,	
	2017	2016
Capitalized amount	$ 203,902	$ 323,503
Range of the interest rates for capitalization	2.15%~2.41%	2.00%~2.26%

B. The Group evaluated the recoverable amount for assets with impairment indicators; the impairment loss for the years ended December 31, 2017 and 2016 was $0 and $2,857, respectively, shown under "other gains and losses".

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

D. As of December 31, 2017 and 2016, the prepayments for business facilities which have not yet entered the factory (shown as 'other non-current assets') amounted to $1,423,391 and $896,996, respectively.

E. Due to the earthquake in Kaohsiung, Taiwan on February 6, 2016, a portion of property, plant and equipment were damaged. Please refer to Note 10 for details.

(9) Investment property

	2017			
	At January 1	Additions	Transfers	At December 31
Cost:				
Land	$ 188,247	$ -	$ -	$ 188,247
Buildings	439,228	-	-	439,228
	627,475	-	-	627,475
Accumulated depreciation and impairment:				
Buildings	(54,050)	(10,728)	-	(64,778)
	$ 573,425	($ 10,728)	$ -	$ 562,697

	2016			
	At January 1	Additions	Disposals	At December 31
Cost:				
Land	$ 188,247	$ -	$ -	$ 188,247
Buildings	564,109	-	(124,881)	439,228
	752,356	-	(124,881)	627,475
Accumulated depreciation and impairment:				
Buildings	(71,853)	(11,132)	28,935	(54,050)
	$ 680,503	($ 11,132)	($ 95,946)	$ 573,425

The fair value of the investment property held by the Group as at December 31, 2017 and 2016 was $1,423,964 and $1,109,891, respectively. The amounts mentioned above represent valuation results of comparative method based on market trading information categorized within Level 3 in the fair value hierarchy.

(10) Intangible assets

A. Intangible assets are goodwill, payments for TFT-LCD related technology and royalty.

	2017				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Patents and royalty	$ 8,154,685	$ -	$ -	$ -	$ 8,154,685
Goodwill	17,096,628	-	-	-	17,096,628
Others	4,417,732	327,760	(55,492)	315,156	5,005,156
	29,669,045	327,760	(55,492)	315,156	30,256,469
Accumulated amortization and impairment:					
Patents and royalty	(7,528,072)	(615,010)	-	-	(8,143,082)
Others	(3,694,652)	(571,995)	55,492	8,676	(4,202,479)
	(11,222,724)	(1,187,005)	55,492	8,676	(12,345,561)
	$ 18,446,321	($ 859,245)	$ -	$ 323,832	$ 17,910,908

	2016				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Patents and royalty	$ 8,152,685	$ -	$ -	$ 2,000	$ 8,154,685
Goodwill	17,096,628	-	-	-	17,096,628
Others	4,215,500	22,251	(70,918)	250,899	4,417,732
	29,464,813	22,251	(70,918)	252,899	29,669,045
Accumulated amortization and impairment:					
Patents and royalty	(6,668,709)	(859,363)	-	-	(7,528,072)
Others	(3,453,248)	(331,057)	70,918	18,735	(3,694,652)
	(10,121,957)	(1,190,420)	70,918	18,735	(11,222,724)
	$ 19,342,856	($1,168,169)	$ -	$ 271,634	$ 18,446,321

B. Details of amortization on intangible assets are as follows:

	Years ended December 31,	
	2017	2016
Operating costs	$ 1,051,664	$ 1,004,043
Operating expenses	135,341	186,377
	$ 1,187,005	$ 1,190,420

C. The Company performed impairment analysis for recoverable amount of the goodwill at each reporting date and used the value in use as the basis for calculation of the recoverable amount. The value in use was calculated based on the estimated present value of future cash flows for five years, which was discounted at the discount rate of 6.32% and 5.86% for the years ended December 31, 2017 and 2016, respectively, to reflect the specific risks of the related cash generating units. The future cash flows were estimated based on the future revenue, gross profit, and other operating costs each year. Based on the evaluation above, the Company did not recognize impairment loss on goodwill for the years ended December 31, 2017 and 2016.

(11) Short-term borrowings

Type of borrowings	December 31, 2016	Collateral
Bank loans		
Credit loans	$ 11,583,750	None
Range of interest rates	0.83%~1.59%	

As of December 31, 2017, the Group has no short-term borrowings.

(12) Other payables

	December 31, 2017	December 31, 2016
Payable on machinery and equipment	$ 32,381,338	$ 3,339,764
Wages and salaries and bonus payable	13,116,498	6,566,523
Repairs and maintenance expense payable	2,568,063	1,974,059
Utilities expense payable	1,070,308	1,064,275
Other payables	9,761,597	9,971,476
	$ 58,897,804	$ 22,916,097

(13) Long-term borrowings

Type of loans	Period	December 31, 2017	December 31, 2016
Syndicated bank loans	2015/3/12 ~2021/12/6	$ 28,400,000	$ 44,840,000
Less:			
Administrative expenses charged by syndicated banks		(161,098)	(329,847)
Current portion (includes administrative expenses)		(10,951,114)	(16,381,686)
		$ 17,287,788	$ 28,128,467
Range of interest rates		1.75%~2.06%	1.77%~2.06%

A. Please refer to Note 8 for the information on assets pledged as collateral for long-term borrowings.

B. In the third quarter of 2017, the Company applied to extend the expiry date for 2 years pursuant to the NT$68.5 billion syndicated loan agreement. On August 2, 2017, the Company was informed of the banks' unanimous consent.

C. The syndicated loan agreements specified that the Company shall meet covenants on current ratio, liability ratio, interest coverage, and tangible net equity, based on the Company's annual consolidated financial statements audited by independent auditors. The Company's financial ratios on the consolidated financial statements for the year ended December 31, 2017 and 2016 are in compliance with the covenants on the syndicated loan agreement.

(14) Pensions

A. Defined benefit pension plan

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005, and service years thereafter of employees who choose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 1,902,852	$ 1,827,687
Fair value of plan assets	(1,548,769)	(1,534,864)
Net defined benefit liability	$ 354,083	$ 292,823

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 1,827,687	$ 1,534,864	$ 292,823
Current service cost	6,711	-	6,711
Interest expense / income	31,071	26,093	4,978
	37,782	26,093	11,689
Remeasurements:			
Experience adjustments	49,488	(83)	49,571
Benefits paid	(12,105)	(12,105)	-
	37,383	(12,188)	49,571
Balance at December 31	$ 1,902,852	$ 1,548,769	$ 354,083

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	$ 1,852,905	$ 1,529,124	$ 323,781
Current service cost	7,565	-	7,565
Interest expense / income	31,499	25,995	5,504
	39,064	25,995	13,069
Remeasurements:			
Experience adjustments	(55,619)	(11,592)	(44,027)
Benefits paid	(8,663)	(8,663)	-
	(64,282)	(20,255)	(44,027)
Balance at December 31	$ 1,827,687	$ 1,534,864	$ 292,823

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2017	2016
Discount rate	1.50%	1.70%
Future salary increases	1.50%	3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 74,882)	$ 78,699	$ 78,501	($ 75,063)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 75,371)	$ 79,187	$ 73,355	($ 70,354)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) The Company suspended its contributions to the pension reserve as agreed by the Science Park Administration in February 2017.

(g) As of December 31, 2017, the weighted average duration of the retirement plan is 16 years.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The subsidiaries in Mainland China have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentages of employees’ monthly salaries and wages.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were $1,921,461 and $2,021,115, respectively.

(15) Share-based payment

A. As of December 31, 2017, the Company's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted (in thousand units)	Contract period (in years)	Vesting conditions
Employee stock options	2011.05.19	50,000	5	Note (a), (b)
Restricted stocks to employees				
-shares without consideration	2013.01.30	31,151	3	Note (c), (d)
-shares subscribed with consideration	2013.01.30	31,151	3	Note (c), (d)
-shares without consideration	2013.03.29	844	3	Note (c), (d)
-shares subscribed with consideration	2013.03.29	844	3	Note (c), (d)
-shares without consideration	2013.12.12	4,268	3	Note (c), (d)
-shares subscribed with consideration	2013.12.12	4,268	3	Note (c), (d)

(a) The employees may exercise the stock options by stage based on 30%, 30% and 40% of total options granted on completion of the specified year(s) of service (one to four years) from the grant date.

(b) The employee stock options had already expired.

(c) The employees may exercise the stock options by stage based on 20%, 40% and 40% of total options granted on completion of the specified year(s) of service (one to three years) from the grant date.

(d) The restricted stocks issued by the Company cannot be transferred. Voting right and dividend right are restricted on these stocks before vested.

(e) The fair value of stock options granted from 2011 to 2013 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Price (in dollars)	Exercise price (in dollars)	Expected volatility (%)	Expected duration (month)	Expected dividend yield (%)	Risk free interest rate (%)	Fair value per unit (in dollars)
Restricted stocks to employees								
-shares without consideration	2013.12.12	$10.65	$ -	-	-	-	-	$10.65
- shares subscribed with consideration	2013.12.12	10.65	5.00	-	-	-	-	5.65
-shares without consideration	2013.03.29	18.40	-	-	-	-	-	18.40
- shares subscribed with consideration	2013.03.29	18.40	5.00	-	-	-	-	13.40
-shares without consideration	2013.01.30	15.35	-	-	-	-	-	15.35
- shares subscribed with consideration	2013.01.30	15.35	5.00	-	-	-	-	10.35
Employee stock options	2011.05.19	26.70	26.70	35.67	48.60	0.00	1.00	7.31 ~8.32

B. The details of the employee stock option plan for the year ended December 31, 2016 are as follows:

	Year ended December 31, 2016				
Stock Options	Quantity (in thousand units)	Weighted average exercise price (in dollars)	Range of exercise price (in dollars)	Weighted average remaining vesting period	Weighted average stock price of stock options at exercise date (in dollars)
Options outstanding at the beginning of the year	50,000	$ 22.85			
Options exercised	-	-			$ 9.99
Options expired	(50,000)	21.87			
Options outstanding at the end of the year	-	-	$ -	-	
Options exercisable at the end of the year	-	-			

There was no employee stock option plan for the year ended December 31, 2017.

C. For the years ended December 31, 2017 and 2016, the expenses incurred from share-based payment arrangements were $0 and $15,260, respectively.

(16) Provisions-current

	Warranty	Litigation and others	Total
At January 1, 2017	$ 1,634,234	$ 2,131,000	$ 3,765,234
Additions during the year	2,320,000	638,700	2,958,700
Used during the year	(1,263,072)	-	(1,263,072)
At December 31, 2017	$ 2,691,162	$ 2,769,700	$ 5,460,862

A. Warranty

The Group provides warranty on TFT-LCD panel products sold. Provision for warranty is estimated based on historical warranty data of TFT-LCD panel products.

B. Litigation and others

Litigation and other provisions for the Group are related to patents of TFT-LCD panel products and anti-trust litigations. For information on estimation of provisions, please refer to Note 9(1).

(17) Share capital

As of December 31, 2017, the Company’s authorized and outstanding capital were $105,000,000 and $99,520,720, with a par value of $10 (in dollars) per share, respectively. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding are as follows:

	2017	2016
	Number of ordinary shares (in thousands)	Number of ordinary shares (in thousands)
At January 1	9,952,149	9,953,237
Cancellation of restricted stock to employees	(77)	(1,088)
At December 31	9,952,072	9,952,149

A. The Board of Directors of the Company resolved to increase capital for cash by issuing the GDR which had been completed in January 2013. The Company issued 1,125,000 thousand shares of common stock for cash, with a unit of GDR representing 10 shares of common stock at the Luxembourg Stock Exchange which raised a total of $14,519,051, net of issuance cost. The Company has terminated the contracts in relation to the circulation of GDR and its account of the depositary bank in order to lower administrative costs in accordance with the resolution by the Board of Directors on July 26, 2017.

B. The Company adopted a resolution in 2013 to issue restricted shares to employees, consisting of 36,263 thousand shares without consideration and 36,263 thousand shares with consideration (the price for subscription is $5 per share). Until the vesting conditions are met by employees, those shares are restricted with regard to transfer of voting rights, dividend and other rights. As of December 31, 2017 and 2016, the Company has retired 77 thousand and 1,088 thousand shares of unvested restricted stocks to employees, respectively, and decreased capital in accordance with related regulation.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Accumulated deficit shall first be covered by retained earnings before the capital reserve can be used to cover the accumulated deficit.

	2017			
	Share premium	Share of profit (loss) of associates accounted for under equity method	Restricted stock to employees	Total
At January 1	$ 99,614,516	$ 33,888	($ 594)	$ 99,647,810
Cancellation of restricted stock to employees	-	-	768	768
Vested restricted stock to employees	174	-	(174)	-
Recognition of change in equity of associates in proportion to the Group's ownership	-	(1,659)	-	(1,659)
At December 31	$ 99,614,690	$ 32,229	$ -	$ 99,646,919

	2016				
	Share premium	Share of profit (loss) of associates accounted for under equity method	Employee stock options	Restricted stock to employees	Total
At January 1	$ 99,101,649	$ 36,458	$ 393,500	$ 111,957	$ 99,643,564
Cancellation of restricted stock to employees	-	-	-	10,884	10,884
Vested restricted stock to employees	119,367	-	-	(119,367)	-
Changes in restricted stock to employees	-	-	-	(4,068)	(4,068)
Expiration of employee stock options	393,500	-	(393,500)	-	-
Recognition of change in equity of associates in proportion to the Group's ownership	-	(2,570)	-	-	(2,570)
At December 31	$ 99,614,516	$ 33,888	$ -	($ 594)	$ 99,647,810

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be offset against prior years' operating losses, then set aside 10% of the remaining amount as legal reserve (until the legal reserve equals the paid-in capital). Preferred dividend shall be distributed after setting aside or reversing a special reserve according to related regulations. The appropriation of the remaining amount along with the unappropriated earnings from previous years shall be proposed by the Board of Directors and resolved by the shareholders. The Company is in an emerging industry which is growing rapidly, and has a capital intensive business. The Company is at the stage of stable growth. In line with the Company's long-term financial plan in the future, investment environment and business competition situation, the appropriation of dividends shall be proposed by the Board of Directors and resolved by the shareholders, taking into account the future capital expenditure budget and capital requirement of the Company. However, the stock dividends distributed to shareholders shall not exceed two-thirds of distributable dividends in current period.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. The details of the appropriations of 2016 and 2015 net income which was approved at the stockholders' meeting in June 2017 and 2016, respectively, are as follows:

	Years ended December 31,			
	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 187,069		$ 1,081,560	
Special reserve	3,418,804		-	
Cash dividends	995,204	$ 0.10	1,989,810	$ 0.20
	$ 4,601,077		$ 3,071,370	

The Company's appropriations of earnings for 2017 are to be authorized by the Board of Directors and presented for approval in the Company's stockholders' meeting in 2018.

D. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(25).

(20) Other equity items

	2017		
	Currency translation	Available-for-sale investments	Total
At January 1	($ 4,040,408)	$ 621,604	($ 3,418,804)
Revaluation of available-for-sale investments - gross	-	3,675,370	3,675,370
Revaluation transfer of available-for -sale investment - gross	-	646,638	646,638
Currency translation differences	(1,643,264)	-	(1,643,264)
Share of other comprehensive loss of associates	(33,551)	-	(33,551)
Effect of income tax	-	(317,110)	(317,110)
At December 31	($ 5,717,223)	$ 4,626,502	($ 1,090,721)

	2016			
	Currency translation	Available-for-sale investments	Employee unearned compensation	Total
At January 1	$ 1,695,294	$ 1,074,445	($ 19,402)	$ 2,750,337
Revaluation of available-for-sale investments - gross	-	(839,384)	-	(839,384)
Revaluation transfer of available-for-sale investment - gross	-	500,000	-	500,000
Currency translation differences	(5,708,026)	-	-	(5,708,026)
Changes in restricted stocks to employees	-	-	4,142	4,142
Compensation related to share-based payment	-	-	15,260	15,260
Share of other comprehensive loss of associates	(27,676)	-	-	(27,676)
Effect of income tax	-	(113,457)	-	(113,457)
At December 31	($ 4,040,408)	$ 621,604	$ -	($ 3,418,804)

(21) Other income

	Years ended December 31,	
	2017	2016
Rental revenue	$ 137,037	$ 162,665
Interest income	472,331	291,240
Dividend income	151,677	177,880
Other income	1,767,769	1,757,110
	$ 2,528,814	$ 2,388,895

(22) Other gains and losses

	Years ended December 31,	
	2017	2016
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	$ 1,987,818	($ 1,244,206)
Net currency exchange (loss) gain	(2,134,155)	1,360,559
Gain (loss) on disposal of investments	2,483,645	(23,258)
Loss on disposal of property, plant and equipment	(597,261)	(163,659)
Impairment loss	(3,120,824)	(502,857)
Net disaster gain (loss)	2,051,579	(1,296,166)
Others	(824,990)	(1,234,365)
	($ 154,188)	($ 3,103,952)

(23) Finance costs

	Years ended December 31, 2017	2016
Interest expense:		
Bank borrowings	$ 730,468	$ 874,873
Others	32	6
Factoring expense of accounts receivable	-	18,647
	$ 730,500	$ 893,526

(24) Expenses by nature

	Years ended December 31, 2017	2016
Employee benefit expense:		
Salaries and other short-term employee benefits	$ 45,506,559	$ 38,738,413
Share-based payments	-	15,260
Post-employment benefits	1,933,150	2,034,184
Depreciation	32,377,043	40,228,114
Amortization	1,187,005	1,190,420
	$ 81,003,757	$ 82,206,391

(25) Employees' compensation and directors' remuneration

A. According to the Articles of Incorporation, of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 0.1% for directors' remuneration.

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $3,136,952 and $192,788, respectively; while directors' remuneration was accrued at $48,261 and $1,928, respectively. The aforementioned amounts were recognized in expenses.

The expenses recognized for 2017 were accrued based on the earnings of current year. The employees' compensation and directors' remuneration were $3,136,952 and $48,261 in the form of cash, respectively, as resolved by the Board of Directors on February 9, 2018. The accrued amounts were in agreement with the amount of recorded expense for the year ended December 31, 2017.

Employees' compensation and directors' remuneration were accrued at $192,788 and $1,928, respectively, based on the earnings of current year distributable for the year ended December 31, 2016 and the employees' compensation will be distributed in the form of cash. Employees' compensation and directors' remuneration for 2016 as resolved by the Board of Directors were $231,338 and $3,856, respectively. The difference of $40,478 between employees' compensation (directors' remuneration) as resolved by the Board of Directors and the amount recognized in the 2016 financial statements was caused by a different accrual ratio and had been recorded as expense in 2017.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2017	Years ended December 31, 2016
Current tax:		
Current tax on profit for the year	$ 3,886,976	$ 1,313,262
Tax on undistributed surplus earnings	-	590,712
Prior year income tax overestimation	(76,547)	(10,800)
Total current tax	3,810,429	1,893,174
Deferred tax:		
Origination and reversal of temporary differences	8,102,151	1,228,259
Income tax expense	$ 11,912,580	$ 3,121,433

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2017	Years ended December 31, 2016
Fair value gains/losses on available-for-sale financial assets	$ 317,110	$ 113,457
Remeasurements of defined benefit obligations	(8,427)	7,485
	$ 308,683	$ 120,942

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2017	Years ended December 31, 2016
Tax calculated based on profit before tax and statutory tax rate	$ 11,532,189	$ 1,503,372
Effects from items disallowed by tax regulation	(477,430)	(372,858)
Prior year income tax overestimation	(76,547)	(10,800)
Additional 10% tax on undistributed earnings	-	590,712
Change in assessment of realization of deferred tax assets	934,368	1,411,007
Tax expense	$ 11,912,580	$ 3,121,433

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Sales returns and discount provisions	$ 270,483	$ 158,857	$ -	$ 429,340
Accrued royalties and warranty provisions	731,844	363,165	-	1,095,009
Unrealized loss (gain) on financial instruments	470,394	277,255	(317,110)	430,539
Prior year expense carryforward	3,772	(292)	-	3,480
Loss carryforward	12,619,814	(8,867,059)	-	3,752,755
Others	601,836	27,375	8,427	637,638
	$14,698,143	($ 8,040,699)	($ 308,683)	$ 6,348,761
- Deferred tax liabilities:				
Unrealized exchange gain	($ 113,545)	$ 71,832	$ -	($ 41,713)
Amortisation charges on goodwill	(559,426)	(82,369)	-	(641,795)
Others	-	(50,915)	-	(50,915)
	($ 672,971)	($ 61,452)	$ -	($ 734,423)
	$14,025,172	($ 8,102,151)	($ 308,683)	$ 5,614,338

	2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Sales returns and discount provisions	$ 243,526	$ 26,957	$ -	$ 270,483
Accrued royalties and warranty provisions	654,557	77,287	-	731,844
Unrealized loss (gain) on financial instruments	926,234	(342,383)	(113,457)	470,394
Prior year expense carryforward	10,870	(7,098)	-	3,772
Unrealized exchange loss (gain)	119,217	(119,217)	-	-
Loss carryforward	13,618,091	(998,277)	-	12,619,814
Others	315,972	293,349	(7,485)	601,836
	$15,888,467	($ 1,069,382)	($ 120,942)	$14,698,143
- Deferred tax liabilities:				
Unrealized exchange gain	$ -	($ 113,545)	$ -	($ 113,545)
Amortisation charges on goodwill	(477,056)	(82,370)	-	(559,426)
Others	(37,038)	37,038	-	-
	($ 514,094)	($ 158,877)	$ -	($ 672,971)
	$15,374,373	($ 1,228,259)	($ 120,942)	$14,025,172

D. Expiration dates of unused loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2017				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2011	Assessed	$ 26,496,656	$ 18,260,810	2021
2012	Assessed	42,898,003	29,564,194	2022
2016	Filed	1,282,669	883,982	2026
		$ 70,677,328	$ 48,708,986	

December 31, 2016				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2010	Assessed	$ 9,392,452	$ 3,575,589	2020
2011	Assessed	63,808,943	24,291,267	2021
2012	Assessed	42,563,912	16,203,549	2022
2016	Filed	3,047,240	1,160,045	2026
		$ 118,812,547	$ 45,230,450	

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2017	December 31, 2016
Deductible temporary differences	$ 51,673,594	$ 48,198,766

F. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2017 and 2016, the amounts of temporary differences unrecognized as deferred tax liabilities were $31,293,045 and $28,052,581, respectively.

G. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

H. Unappropriated retained earnings recorded by the Company pertain to retained earnings after 1998.

I. The details of imputation system are as follows:

	December 31, 2017	December 31, 2016
(a) Balance of tax credit account	$ 2,043,097	$ 1,420,948
	2017 (Estimated)	2016 (Actual)
(b) Estimated (Actual) creditable tax rate	3.47%	7.47%

(27) Earnings per share

	Years ended December 31, 2017	Years ended December 31, 2016
Basic earnings per share		
Profit attributable to ordinary shareholders of the parent	$ 37,028,609	$ 1,870,687
Weighted average number of ordinary shares outstanding (shares in thousands)	9,952,051	9,947,293
Basic earnings per share (in dollars)	$ 3.72	$ 0.19
Diluted earnings per share		
Profit attributable to ordinary shareholders of the parent	$ 37,028,609	$ 1,870,687
Weighted average number of ordinary shares outstanding (shares in thousands)	9,952,051	9,947,293
Assumed conversion of all dilutive potential ordinary shares:		
-Employees' compensation	259,625	54,316
-Restricted stocks	22	4,052
	10,211,698	10,005,661
Diluted earnings per share (in dollars)	$ 3.63	$ 0.19

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31, 2017	Years ended December 31, 2016
Purchase of property, plant and equipment	$ 54,058,280	$ 43,518,455
Add: Opening balance of payable on equipment	3,339,764	3,974,152
Less: Ending balance of payable on equipment	(32,381,338)	(3,339,764)
Cash paid during the year	$ 25,016,706	$ 44,152,843

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Group
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	The related party is owned by the same major shareholder of the Company
Chi Lin Optoelectronics Co., Ltd. and its subsidiaries	The related party's director is the Company
FI Medical Device Manufacturing Co., Ltd.	Associate
GIO Optoelectronics Corp.	Associate

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31, 2017	Years ended December 31, 2016
Sales of goods:		
Others	$ 48,858,191	$ 16,537,094
Associates	37,115	113,916
	$ 48,895,306	$ 16,651,010

The collection period was 30~120 days upon delivery or on a monthly-closing basis to related parties, and 30~90 days to non-related parties. The sales prices and the trading terms to related parties above were not significantly different from those of sales to third parties.

B. Purchases of goods

	Years ended December 31, 2017	Years ended December 31, 2016
Purchases of goods:		
Others	$ 12,518,080	$ 8,825,302
Associates	1,341,203	1,383,704
	$ 13,859,283	$ 10,209,006

The payment term was 30~120 days to related parties after delivery, and 30~180 days to non-related parties after delivery or on a monthly-closing basis. The purchase prices and the payment terms from related parties above were not materially different from those of purchases from third parties.

C. Receivables from related parties

	December 31, 2017	December 31, 2016
Accounts receivable:		
Others		
- Nanjing Hongfusharp Precision Electronics Co., Ltd.	$ 7,617,857	$ -
- Hon Hai Precision Industry Co., Ltd.	3,764,389	7,605,574
- Others	6,319,373	3,946,042
Associates	25,463	47,743
	$ 17,727,082	$ 11,599,359

The receivables from related parties arise mainly from sales transactions. The receivables are due 30~120 days after the date of sale. The receivables are unsecured in nature and bear no interest.

D. Payables to related parties

		December 31, 2017		December 31, 2016
Accounts payable:				
Others				
- Hon Hai Precision Industry Co., Ltd.	$	2,079,913	$	4,152,828
- Others		291,120		737,598
Associates		193,977		229,809
	$	2,565,010	$	5,120,235

The payables to related parties arise mainly from purchase transactions and are due 30~120 days after the date of purchase. The payables bear no interest.

E. Property transactions

Purchase of property

(a) Acquisition of property, plant and equipment:

	Years ended December 31,			
		2017		2016
Others				
- Hon Hai Precision Industry Co., Ltd.	$	31,456,795	$	-
- Others		42,459		93,923
	$	31,499,254	$	93,923

(b) Period-end balances arising from purchases of property (shown as "Other payables"):

		December 31, 2017		December 31, 2016
Others				
- Hon Hai Precision Industry Co., Ltd.	$	26,609,511	$	-
- Others		1,974		27,031
	$	26,611,485	$	27,031

Sale of property

(a) Proceeds from sale of property and gain on disposal:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Disposal proceeds	Gain on disposal	Disposal proceeds	Gain on disposal
Others	$ 716	$ 34	$ 1,365	$ 940

(b) Period-end balances arising from sale of property (shown as "Other receivables"):

		December 31, 2017		December 31, 2016
Others	$	-	$	1,570

(3) Key management compensation

	Years ended December 31, 2017	Years ended December 31, 2016
Salaries and other short-term employee benefits	$ 130,223	$ 138,669
Share-based payments	-	665
Post-employment benefit	432	458
	$ 130,655	$ 139,792

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2017	Book value December 31, 2016	Purpose
Other current assets			
Time deposits	$ 1,594	$ 1,726	Credit card guarantee
Property, plant and equipment	70,966,784	80,828,544	Long-term loans
Intangible assets	7,446	15,551	Long-term loans
Other non-current assets			
Time deposits	722	752	Guarantee for contract and performance bond
	$ 70,976,546	$ 80,846,573	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies－Significant Litigations

A. Chi Mei Optoelectronics Corporation (the "CMO"), Chi Mei Optoelectronics Japan Co., Ltd., Chi Mei Optoelectronics UK Ltd., Chi Mei Optoelectronics Europe B.V., and Chi Mei Optoelectronics USA Inc. were investigated by the United States (the "U.S.") Department of Justice in December 2006 for alleged violation of the anti-trust laws. In December 2009, the Company reached a plea agreement with the Department of Justice of the U.S. and paid off the fines. Later, Brazil government initiated an investigation case against the Company. The investigation is still ongoing and the Company has been cooperative with the investigation. As for civil lawsuits filed by some state governments in the U.S., downstream panel makers, and customers, the Company had reached settlement agreement individually.

B. Eidos Displays, LLC and Eidos III, LLC ("Eidos") filed a lawsuit against the Company and American subsidiaries with the United States District Court for the District of East Texas on April 25, 2011, alleging infringement of its patent. The administrative law judge has ruled a summary judgment for the lawsuit in December 2013 rendering Eidos' patent as invalid, and the presiding judge has confirmed the summary judgment in January 2014. Eidos has filed a complaint in February 2014.

In February 2014, Eidos appealed to the US Court of Appeals for the Federal Circuit (CAFC). In March 2015, the CAFC overruled the decision rendered by the district court and ordered a retrial.

In June 2017, the jury determined that some products of the Company and American subsidiaries constituted direct infringement of patent and ordered an infringement compensation for Eidos. The Company continued the legal fight by filing a post-trial motion in July 2017. However, the results of the litigation are uncertain and are dependent on the future litigation progress. The Company does not expect that the lawsuit would have a material adverse effect on the Company's financial position or results of operations in the short-term.

C. The Company had assessed and recognized related losses and liabilities as shown in 'provisions-current' for the aforementioned investigation relating to anti-trust laws and patent litigation.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2017	December 31, 2016
Property, plant and equipment	$ 18,794,836	$ 17,531,784

B. Operating lease commitments

The Group leases plant, land and warehouses under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Not later than one year	$ 579,498	$ 547,803
Later than one year but not later than five years	1,943,547	1,962,352
Later than five years	541,101	888,807
	$ 3,064,146	$ 3,398,962

C. Outstanding letters of credit

The outstanding letters of credit for the purchase of property, plant and equipment are as follows:

	December 31, 2017	December 31, 2016
Outstanding letters of redit	$ 45,687	$ 245,565

10. SIGNIFICANT DISASTER LOSS

The Company's partial inventories and buildings were damaged due to the earthquake which occurred in Kaohsiung, Taiwan on February 6, 2016. The Company has conducted a disaster assessment and a conservative estimation on insurance claim to assess possible disaster loss. The insurance claim has been paid as of September 30, 2017. The Company accrued gain of $755,413 after offsetting the loss with insurance claim.

11. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives are to maintain an optimal capital structure, and constructively reduce the debt ratio and the cost of capital in order to maximize shareholders' equity.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables, other financial assets-current, short-term loans, accounts payable, other payables and long-term loans) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) The Company's and its subsidiaries' activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2)).

(b) Risk management is carried out by the treasury department under policies approved by the board of directors. The Company's and its subsidiaries' treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's and its subsidiaries' operating units. The Board provides principles for overall risk management, as well as policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment by excess liquidity

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

a) The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

b) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure via the Company's treasury departments. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Company use forward foreign exchange contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

c) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). Based on the simulations performed, the impact on post-tax profit of a 1% exchange rate fluctuation would be an increase of $278,159 and $672,856 for the years ended December 31, 2017 and 2016, respectively. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2017			December 31, 2016		
	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)
Financial assets						
Monetary items						
USD	$ 5,323,715	29.76	$158,433,758	$ 7,224,538	32.25	$232,991,351
JPY	8,017,851	0.26	2,084,641	8,114,141	0.28	2,271,959
EUR	53,720	35.57	1,910,820	85,344	33.90	2,893,162
Non-monetary items						
USD	$ 2,595,104	29.76	$ 77,230,295	$ 2,337,217	32.25	$ 75,375,248
HKD	184,669	3.81	703,589	223,521	4.16	929,847
JPY	5,662,973	0.26	1,472,373	5,619,277	0.28	1,573,398
EUR	-	35.57	-	3,703	33.90	125,532
Financial liabilities						
Monetary items						
USD	$ 4,108,667	29.76	$122,273,930	$ 4,947,745	32.25	$159,564,776
JPY	41,168,652	0.26	10,703,850	35,248,180	0.28	9,869,490
EUR	45,980	35.57	1,635,509	42,379	33.90	1,436,648

Note: Exchange rate represents the amount of NT dollars for which one foreign currency could be exchanged.

d) Total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016 amounted to ($2,134,155) and $1,360,559, respectively.

Price risk

a) The Group is exposed to equity securities price risk because of investments held by the Company that are classified as available-for-sale or at fair value through profit or loss in consolidated balance sheet. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio in accordance with the policy set by the Company.

b) The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 20% with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by $51,535 and $50,020, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss; other components of equity would have increased/decreased by $1,311,038 and $1,168,186, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

a) The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2017 and 2016, the Group's borrowings at variable rate were denominated in the NTD.

b) The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

c) Based on the simulations performed, the impact on post-tax profit of a 0.25% shift would be a maximum increase or decrease of $71,000 and $112,100 for the years ended December 31, 2017 and 2016, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(b) Credit risk

a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Customer credit quality is assessed via internal risk control, considering customer financial position, past experience and other factors. Individual risk limits are set by the board of directors based on internal or external ratings. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. Because the Company's and its subsidiaries' counterparties and executor are banks with good credit standing and financial institutions and government with investment grade or above, there is no significant default. Therefore, there is no significant credit risk.

b) No credit limits were exceeded during the reporting periods. Management does not expect any significant losses from non-performance by these counterparties.

c) The individual analysis of financial assets that had been impaired is provided in Note 6.

(c) Liquidity risk

a) Group treasury monitors rolling forecasts of the Company's and its subsidiaries' liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(13)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the

Company's and its subsidiaries' debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and external regulatory or legal requirements.

b) Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group's treasury. Group treasury invests surplus cash in interest bearing savings accounts, time deposits, money market deposits and marketable securities. The Group chooses instruments that are with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. These are expected to readily generate cash inflows for managing liquidity risk.

c) The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2017	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Total
Accounts payable	$ 53,441,510	$ -	$ -	$ 53,441,510
Other payables	58,897,804	-	-	58,897,804
Long-term borrowings (including current portion)	10,960,000	16,890,000	550,000	28,400,000

December 31, 2016	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Total
Short-term borrowings	$ 11,583,750	$ -	$ -	$ 11,583,750
Accounts payable	56,995,540	-	-	56,995,540
Other payables	22,916,097	-	-	22,916,097
Long-term borrowings (including current portion)	16,440,000	27,550,000	850,000	44,840,000

Derivative financial liabilities

December 31, 2017	Less than 1 year	Total
Forward exchange contracts	$ 52,500	$ 52,500

December 31, 2016	Less than 1 year	Total
Forward exchange contracts	$ 1,190,148	$ 1,190,148

d) The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(9).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and on-the-run bonds is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as of December 31, 2017 and 2016 is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 257,676	$ -	$ -	$ 257,676
Forward exchange contracts	-	328,170	-	328,170
Forward exchange swap contract	-	76,890	-	76,890
Available-for-sale financial assets				
Equity securities	6,241,465	-	313,724	6,555,189
	$6,499,141	$ 405,060	$ 313,724	$7,217,925
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 52,500	$ -	$ 52,500
	$ -	$ 52,500	$ -	$ 52,500

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 250,101	$ -	$ -	$ 250,101
Forward exchange contracts	-	64,241	-	64,241
Available-for-sale financial assets				
Equity securities	5,598,578	-	242,351	5,840,929
	$5,848,679	$ 64,241	$ 242,351	$6,155,271
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$1,190,148	$ -	$1,190,148

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Emerging stocks	Corporate bond
Market quoted price	Closing price	Last transaction price	Weighted average quoted price

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(c) When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts and foreign exchange swap contracts are usually valued based on the current forward exchange rate.

(e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group’s financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group’s management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments as at December 31, 2017 and 2016:

	Equity securities	
	2017	2016
At January 1	$ 242,351	$ 719,585
Transfers out from level 3	-	(349,400)
Gains and losses recognized in profit or loss	(490,901)	-
Gains and losses recognized in other comprehensive income	585,094	31,501
Acquired in the period	122,755	-
Proceeds from capital reduction	(145,575)	(159,335)
At December 31	$ 313,724	$ 242,351

G. The Group holds private equity shares issued by Fitipower Integrated Technology Inc. The required procedures for becoming publicly traded were completed and its shares started to be traded as emerging stock in the Taipei Exchange from October 2016. The Group has transferred the fair value from Level 3 into Level 1 at the end of month when the event occurred.

H. Investment management segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

Investment management segment set up valuation policies, valuation processes, and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 286,940	Market comparable companies	Price to earnings ratio multiple, price to sales ratio multiple, price to book ratio multiple	1.26~61.93 (26.49)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%~70% (51%)	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares Private equity fund investment	26,784	Net asset value	Not applicable	Not applicable	Not applicable

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 214,665	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, control premium	0.68~1.55 (0.88)	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	30%~70% (31%)	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares Private equity fund investment	27,686	Net asset value	Not applicable	308 (308)	Not applicable

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

				Recognised in other comprehensive income	
Financial assets	Period	Input	Change	Favourable change	Unfavourable change
Equity instrument	2017/12/31	$ 313,724	± 1%	$ 3,137	($ 3,137)
Equity instrument	2016/12/31	242,351	± 1%	2,424	(2,424)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to Table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to Table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to Table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 1, 4, 5 and 6.

14. SEGMENT INFORMATION

(1) General information

The Group is primarily engaged in research, development, manufacture, and sale of TFT LCD. The chief operating decision-maker considered the business from a perspective of product size of TFT LCD. TFT LCD products are currently classified into big size and small-medium size. Because the Group met the criteria for combining the segment information of big size and small-medium size TFT LCD departments, the Group disclosed only one reportable operating segment for all TFT LCD products.

The Group's operating segment information was prepared in accordance with the Group's accounting policies. The chief operating decision-maker allocated resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax and discontinued operations of individual operating segment.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Years ended December 31,	
	2017	2016
	TFT LCD	TFT LCD
Segment revenue	$ 329,174,401	$ 287,089,277
Segment income	$ 48,941,189	$ 4,992,120
Depreciation and amortization	$ 33,564,048	$ 41,418,534
Capital expenditure-property, plant and equipment	$ 25,016,706	$ 44,152,843
Segment assets	$ 414,858,758	$ 371,479,548

(3) Reconciliation for segment income

In current period, the revenue and income or loss before tax of reportable operating segment are consistent with those of continuing operations.

(4) Information on products

Revenue from external customers is mainly from sale of TFT-LCD products, the sales amount is in agreement with operating revenue.

(5) Geographical information

Geographical information for the years ended December 31, 2017 and 2016 is as follows:

	Years ended December 31,			
	2017		2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 115,922,366	$ 211,482,604	$ 95,497,599	$ 190,035,166
Hong Kong	75,037,923	108	66,990,932	118
China	68,728,719	29,891,298	59,778,250	31,982,735
Europe	11,408,208	24,951	12,996,893	23,838
US	8,022,386	612	11,582,252	713
Others	50,054,799	275,743	40,243,351	131,504
Total	$ 329,174,401	$ 241,675,316	$ 287,089,277	$ 222,174,074

(6) Major customer information

The individual sales to the Group's customers that exceed 10% of the sales in the statements of comprehensive income for the years ended December 31, 2017 and 2016 are set forth below:

	Years ended December 31,			
	2017		2016	
	Sales amount	Percentage of sales	Sales amount	Percentage of sales
Company A	$ 50,574,810	15%	$ 41,448,102	14%

Innolux Corporation and Subsidiaries

Loans to others

For the year ended December 31, 2017

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2017	Balance as at December 31, 2017	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Innocom Technology (Shenzhen) Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Other receivables	Related parties	$ 7,318,350	$ 2,976,000	$ 2,976,000	2.00%	Short-term financing	$ -	Operating support	$ -	$ -	$ -	$ 264,325,048	$ 264,325,048	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo Innolux Optoelectronics Ltd.	Other receivables	Related parties	3,415,875	2,504,975	2,504,975	2.00%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo Innolux Display Ltd.	Other receivables	Related parties	1,912,890	1,776,255	1,776,255	2.00%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Shanghai Innolux Optoelectronics Ltd.	Other receivables	Related parties	1,047,535	1,047,535	1,047,535	2.00%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Nanjing Innolux Optoelectronics Ltd.	Other receivables	Related parties	3,598,055	2,823,790	2,823,790	2.00%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
2	Nanjng Innolux Technology Ltd.	Nanjing Innolux Optoelectronics Ltd.	Other receivables	Related parties	364,360	227,725	227,725	2.00%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
3	Innolux Technology USA Inc.	Innolux Hong Kong Limited	Other receivables	Related parties	178,560	-	-	0%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
3	Innolux Technology USA Inc.	Lakers Trading Ltd.	Other receivables	Related parties	178,560	178,560	178,560	1.01% ~1.52%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
4	Innolux Europe B.V.	Innolux Hong Kong Limited	Other receivables	Related parties	1,379,257	1,351,013	1,351,013	0.626% ~0.633%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
5	Innolux Europe B.V.	Lakers Trading Ltd.	Other receivables	Related parties	46,241	46,241	46,241	1.60%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
6	Innolux Japan Co., Ltd.	Leadtek Global Group Limited	Other receivables	Related parties	2,034,340	2,034,340	2,034,340	1.00%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2017	Balance as at December 31, 2017	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral: Item	Collateral: Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
7	Asiaward Investment Ltd.	Best China Investments Ltd.	Other receivables	Related parties	$ 241,481	$ -	$ -	0%	Short-term financing	$ -	Operating support	$ -	$ -	$ -	$ 264,325,048	$ 264,325,048	A
8	Best China Investments Ltd.	Lakers Trading Ltd.	Other receivables	Related parties	241,481	-	-	0%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
9	Main Dynasty Investment Ltd.	Mega Chance Investments Ltd.	Other receivables	Related parties	397,677	-	-	0%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
10	Mega Chance Investments Ltd.	Lakers Trading Ltd.	Other receivables	Related parties	397,677	-	-	0%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
11	Sun Dynasty Development Limited	Magic Sun Limited	Other receivables	Related parties	991,180	-	-	0%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
12	Magic Sun Limited	Lakers Trading Ltd.	Other receivables	Related parties	991,180	-	-	0%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
13	Warriors Technology Investments Ltd.	Lakers Trading Ltd.	Other receivables	Related parties	3,205,169	3,205,169	3,205,169	0%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
14	Innolux Optoelectronics USA, Inc.	Lakers Trading Ltd.	Other receivables	Related parties	119,040	119,040	119,040	1.04%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A
15	Bright Information Holding Ltd.	Lakers Trading Ltd.	Other receivables	Related parties	95,809	95,809	95,809	0%	Short-term financing	-	Operating support	-	-	-	264,325,048	264,325,048	A

Note A: The Company - Innolux Corporation

1.For loans obtained for short-term financing, financial limit on loans granted to a single party shall not exceed 10% of the company's net equity, based on the most recent audited financial statements of the company.

2.The financial limit on loans granted shall not exceed 40% of the company's net equity. If it is for short-term capital needs, the limit shall not exceed 30% of the company's net equity.

3.The policy for loans granted to direct or indirect wholly-owned overseas subsidiaries is as follows: for short-term capital needs, financial limit shall not be below the 40% requirement, but should not exceed 100% of the company's net equity.

Innolux Corporation and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2017

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017 Number of shares	Book value	Ownership (%)	Fair value	Footnote
	Common stock							
Innolux Corporation	AvanStrate Inc.	None	Available-for-sale financial assets - non-current	900,000	$ 50,910	1	$ 50,910	
Innolux Corporation	TPV Technology Ltd.	None	Available-for-sale financial assets - non-current	150,500,000	607,330	6	607,330	
Innolux Corporation	Chi Lin Optoelectronics Co., Ltd.	None	Available-for-sale financial assets - non-current	17,792,552	102,338	19	102,338	
Innolux Corporation	Epistar Corporation	None	Available-for-sale financial assets - non-current	89,072	4,022	-	4,022	
Innolux Corporation	Chimei Materials Technology Corp.	None	Available-for-sale financial assets - non-current	44,741,305	543,607	7	543,607	
Innolux Corporation	Allied Material Technology Corp.	None	Available-for-sale financial assets - non-current	1,209	-	-	-	
Yuan Chi Investment Co., Ltd.	Trillion Science, Inc.	None	Available-for-sale financial assets - non-current	1,439,180	148	2	148	
InnoJoy Investment Corporation	Advanced Optoelectronic Technology, Inc.	None	Financial assets at fair value through profit or loss	6,964,222	257,676	5	257,676	
InnoJoy Investment Corporation	Fitipower Integrated Technology Inc.	None	Available-for-sale financial assets - non-current	10,000,000	271,900	7	271,900	
Ningbo Innolux Optoelectronics Ltd.	上海辰岱投資中心(有限合夥)	None	Available-for-sale financial assets - non-current	-	127,492	-	127,492	
Warriors Technology Investments Ltd.	OED Holding Ltd.	None	Available-for-sale financial assets - non-current	16,000,000	6,052	6	6,052	
Warriors Technology Investments Ltd.	General Interface Solution (GIS) Holding Limited	None	Available-for-sale financial assets - non-current	24,194,000	4,814,606	7	4,814,606	
Nets trading Ltd.	PilotTech Global Fund	None	Available-for-sale financial assets - non-current	90	26,784	-	26,784	

Innolux Corporation and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2017

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

					Balance as at January 1, 2017 (Note 4)		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2017 (Note 4)	
Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain on disposal	Number of shares	Amount
Warriors Technology Investments Ltd.	General Interface Solution (GIS) Holding Limited (Stock)	Available-for-sale financial assets - non-current	Not applicable	Not applicable	40,500,000	$ 3,705,750	-	$ -	16,306,000	$ 2,752,692	$ 165,409	$2,587,283	24,194,000	$ 4,814,606

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leaves the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: It includes unrealized gains (losses) on available-for-sale financial assets.

Innolux Corporation and Subsidiaries

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Sales	$ 18,987,653	6	90 days	Similar with general sales	No material difference	$ 3,764,389	8	
Innolux Corporation	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Sales	14,194,308	4	60 days	Similar with general sales	No material difference	-	-	
Innolux Corporation	Guizhou Fuzhikang Electronic Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	3,564,306	1	60 days	Similar with general sales	No material difference	702,843	1	
Innolux Corporation	Hongfujin Precision Industry (Yantai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	3,134,709	1	60-90 days	Similar with general sales	No material difference	658,025	1	
Innolux Corporation	Hongfutai Precision Electrons (Yantai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	2,045,050	1	90 days	Similar with general sales	No material difference	1,261,004	3	
Innolux Corporation	Honfujin Precision Electronics (Chongqing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	2,002,799	1	45 days	Similar with general sales	No material difference	442,533	1	
Innolux Corporation	Innolux Japan Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,919,552	1	45-90 days	Similar with general sales	No material difference	218,925	-	
Innolux Corporation	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Sales	1,703,414	1	60 days	Similar with general sales	No material difference	-	-	
Innolux Corporation	eCMMS Precision Singapore Pte. Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	892,785	-	90 days	Similar with general sales	No material difference	-	-	
Innolux Corporation	FIH (Hong Kong) Limited	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	812,756	-	60 days	Similar with general sales	No material difference	237,634	-	
Innolux Corporation	Hongfujin Precision Industry (Wuhan) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	628,521	-	90 days	Similar with general sales	No material difference	70,209	-	
Innolux Corporation	Fu Lian Net International (Hong Kong) Limited	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	588,640	-	90 days	Similar with general sales	No material difference	579,927	1	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Innolux Corporation	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	Sales	$ 579,412	-	90 days	Similar with general sales	No material difference	$ 140,002	-	
Innolux Corporation	Competition Team Technology (India) Private Limited	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	454,858	-	90 days	Similar with general sales	No material difference	109,636	-	
Innolux Corporation	Innolux Optoelectronics USA, Inc.	An indirect wholly-owned subsidiary	Sales	432,561	-	45 days	Similar with general sales	No material difference	43,910	-	
Innolux Corporation	COMPETITION TEAM IRELAND LIMITED	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	416,110	-	45-90 days	Similar with general sales	No material difference	212,617	-	
Innolux Corporation	Chi Lin Optoelectronics Co., Ltd.	The company is a corporate director of Chi Lin Optoelectronics	Sales	386,335	-	45 days	Similar with general sales	No material difference	4	-	
Innolux Corporation	Innolux Technology USA Inc.	A subsidiary of the Company	Sales	298,945	-	60 days	Similar with general sales	No material difference	23,717	-	
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	225,318	-	90 days	Similar with general sales	No material difference	796,728	2	
Innolux Corporation	Innolux Optoelectronics Europe B.V.	A subsidiary of the Company	Sales	221,279	-	30-60 days	Similar with general sales	No material difference	46,259	-	
Innolux Corporation	NANJING HONGFUSHARP PRECISION ELECTRONICS CO., LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	164,896	-	90 days	Similar with general sales	No material difference	23,965	-	
Innolux Corporation	Nanjing Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	164,262	-	90 days	Similar with general sales	No material difference	55,401	-	
Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	109,310	-	90 days	Similar with general sales	No material difference	-	-	
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	6,302,886	2	60-90 days after acceptance	Single purchases target, no basis for comparison	No material difference	(1,331,325)	2	
Innolux Corporation	FI Medical Device Manufacturing Co., Ltd.	Investee accounted for under the equity method	Purchases	1,129,036	-	30 days after acceptance	Single purchases target, no basis for comparison	No material difference	(160,373)	-	
Innolux Corporation	GIO Optoelectronics Corp.	Investee accounted for under the equity method	Purchases	207,980	-	60 days after acceptance	Single purchases target, no basis for comparison	No material difference	(32,821)	-	
Innolux Corporation	Chi Lin Optoelectronics Co., Ltd.	The company is a corporate director of Chi Lin Optoelectronics	Purchases	152,040	-	120 days after acceptance	Single purchases target, no basis for comparison	No material difference	(1,863)	-	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales)	Transaction: Credit term	Differences in transaction terms compared to third party transactions: Unit price	Differences in transaction terms compared to third party transactions: Credit term	Notes/accounts receivable (payable): Balance	Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Footnote
Innolux Corporation	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing expense	$ 33,657,805	13	60-90 days	Cost plus	No material difference	($ 13,089,589)	18	
Innolux Corporation	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Processing expense	22,426,873	8	60-90 days	Cost plus	No material difference	(9,158,742)	12	
Innolux Corporation	Leadtek Global Group Limited	A subsidiary of the Company	Processing expense	18,527,796	7	60-90 days	Cost plus	No material difference	(21,080,569)	29	
Foshan Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing revenue	15,471,977	44	60 days	Similar with general transactions	No material difference	2,767,180	21	
Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	A subsidiary of the Company	Processing revenue	18,372,503	80	60 days	Similar with general transactions	No material difference	16,946,551	95	
Ningbo Innolux Display Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing revenue	17,786,185	99	60 days	Similar with general transactions	No material difference	3,423,930	98	
Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Processing revenue	12,749,197	100	60 days	Similar with general transactions	No material difference	6,673,314	100	
Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Processing revenue	8,536,865	100	60 days	Similar with general transactions	No material difference	2,106,625	100	
Foshan Innolux Optoelectronics Ltd.	NANJING HONGFUSHARP PRECISION ELECTRONICS CO.,LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	6,720,061	8	90 days	Similar with general transactions	No material difference	7,593,892	22	
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	Sales	4,706,550	11	60 days	Similar with general transactions	No material difference	846,815	4	
Foshan Innolux Optoelectronics Ltd.	Foxconn Precision Electronics (YanTai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	3,784,185	5	90 days	Similar with general transactions	No material difference	-	-	
Foshan Innolux Optoelectronics Ltd.	Premier Image Technology (China) Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	1,866,254	2	90 days	Similar with general transactions	No material difference	720,839	2	
Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	An indirect wholly-owned subsidiary	Sales	1,698,493	5	60 days	Similar with general transactions	No material difference	315,142	3	
Foshan Innolux Optoelectronics Ltd.	Futaijing Precision Electronics (Beijing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	1,082,429	1	90 days	Similar with general transactions	No material difference	55,085	-	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Foshan Innolux Optoelectronics Ltd.	Panxian FuguiKang Precision electronic Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	$ 513,953	1	90 days	Similar with general transactions	No material difference	$ 607,499	2	
Innocom Technology (Shenzhen) Co., Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing revenue	258,405	100	60 days	Similar with general transactions	No material difference	890,068	100	
Foshan Innolux Optoelectronics Ltd.	Chongqing Fuyusheng Electronics Technology Co.,Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	236,753	-	90 days	Similar with general transactions	No material difference	279,845	1	
Foshan Innolux Optoelectronics Ltd.	Beijing Fusharp Electronic Commerce Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	226,610	-	90 days	Similar with general transactions	No material difference	267,856	1	
Lakers Trading Ltd.	Ningbo Innolux Electronics Ltd.	An indirect wholly-owned subsidiary	Sales	171,488	1	60 days	Similar with general transactions	No material difference	32,642	-	
Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	162,765	1	60 days	Similar with general transactions	No material difference	70,839	2	
Innolux Europe B.V.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Service revenue	659,699	100	60 days	Similar with general transactions	No material difference	63,124	61	
Innolux Technology Japan Co., Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Service revenue	270,068	93	60 days	Similar with general transactions	No material difference	46,676	92	
Foshan Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	3,385,353	4	90 days after goods are shipped	Similar with general transactions	No material difference	(111,114)	-	
Ningbo Innolux Display Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,229,206	5	90 days after goods are shipped	Similar with general transactions	No material difference	(424,958)	8	
Ningbo Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	606,150	1	90 days after goods are shipped	Similar with general transactions	No material difference	(177,967)	2	
Ningbo Innolux Optoelectronics Ltd.	Hongfujin Precision Industry (Shenzhen) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	467,721	1	90 days after goods are shipped	Similar with general transactions	No material difference	(156,344)	2	
Nanjing Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	138,628	1	90 days after goods are shipped	Similar with general transactions	No material difference	(34,312)	1	

Innolux Corporation and Subsidiaries

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

December 31, 2017

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	$ 3,764,389	3.34	$ -	-	$ 1,019,373	$ -
Innolux Corporation	Hongfutai Precision Electrons (Yantai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	1,261,004	2.40	49	Subsequent collection	96,383	-
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	796,728	0.44	-	-	21,848	-
Innolux Corporation	Guizhou Fuzhikang Electronic Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	702,843	10.11	-	-	242,084	-
Innolux Corporation	Hongfujin Precision Industry (Yantai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	658,025	6.12	-	-	285,937	-
Innolux Corporation	Fu Lian Net International (Hong Kong) Limited	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	579,927	2.03	-	-	-	-
Innolux Corporation	Honfujin Precision Electronics (Chongqing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	442,533	3.98	173,027	Subsequent collection	107,152	-
Innolux Corporation	FIH (Hong Kong) Limited	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	237,634	6.37	-	-	87,730	-
Innolux Corporation	Innolux Japan Co.,Ltd.	An indirect wholly-owned subsidiary	218,925	10.35	-	-	-	-
Innolux Corporation	COMPETITION TEAM IRELAND LIMITED	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	212,617	3.76	20,957	Subsequent collection	76,339	-
Innolux Corporation	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	140,002	8.18	-	-	-	-
Innolux Corporation	Competition Team Technology (India) Private Limited	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	109,636	2.13	-	-	33,789	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	A subsidiary of the Company	$ 16,946,551	1.12	$ 9,908,141	Subsequent collection	$ 4,188,141	$ -
Foshan Innolux Optoelectronics Ltd.	NANJING HONGFUSHARP PRECISION ELECTRONICS CO., LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	7,593,892	1.77	-	-	1,559,705	-
Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	6,673,314	2.11	3,178,558	Subsequent collection	1,767,763	-
Ningbo Innolux Display Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	3,423,930	5.22	-	-	1,803,967	-
Foshan Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	2,767,180	1.89	-	-	4,646,874	-
Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	2,106,625	4.42	508,631	Subsequent collection	405,283	-
Innocom Technology (Shenzhen) Co., LTD	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	890,068	0.33	846,013	Subsequent collection	-	-
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	846,815	4.18	-	-	476,386	-
Foshan Innolux Optoelectronics Ltd.	Premier Image Technology (China) Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	720,839	3.91	-	-	215,908	-
Foshan Innolux Optoelectronics Ltd.	Panxian FuguiKang Precision electronic Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	607,499	1.69	-	-	-	-
Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	An indirect wholly-owned subsidiary	315,142	5.20	-	-	150,313	-
Foshan Innolux Optoelectronics Ltd.	Chongqing Fuyusheng Electronics Technology Co.,Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	279,845	1.69	-	-	-	-
Foshan Innolux Optoelectronics Ltd.	Beijing Fusharp Electronic Commerce Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	267,856	1.69	-	-	-	-

Innolux Corporation and Subsidiaries

Significant inter-company transactions during the reporting period

For the year ended December 31, 2017

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note A)	Transaction (Note C) General ledger account	Amount	Transaction terms (Note B)	Percentage of consolidated total operating revenues or total assets
0	Innolux Corporation	Lakers Trading Ltd.	1	Sales	$ 14,194,308	-	4
0	Innolux Corporation	Lakers Trading Ltd.	1	Processing expense	33,657,805	-	10
0	Innolux Corporation	Lakers Trading Ltd.	1	Accrued expenses	(13,089,589)	-	3
0	Innolux Corporation	Innolux Japan Co.,Ltd.	1	Sales	1,919,552	-	1
0	Innolux Corporation	Innolux Japan Co.,Ltd.	1	Accounts receivable	218,925	-	-
0	Innolux Corporation	Innolux Hong Kong Limited	1	Sales	1,703,414	-	1
0	Innolux Corporation	Innolux Hong Kong Limited	1	Processing expense	22,426,873	-	7
0	Innolux Corporation	Innolux Hong Kong Limited	1	Accrued expenses	(9,158,742)	-	2
0	Innolux Corporation	Ningbo Innolux Display Ltd.	1	Sales	579,412	-	-
0	Innolux Corporation	Ningbo Innolux Display Ltd.	1	Accounts receivable	140,002	-	-
0	Innolux Corporation	Innolux Optoelectronics USA, Inc.	1	Sales	432,561	-	-
0	Innolux Corporation	Innolux Technology USA Inc.	1	Sales	298,945	-	-
0	Innolux Corporation	Innolux Optoelectronics Europe B.V.	1	Sales	221,279	-	-
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Sales	109,310	-	-
0	Innolux Corporation	Nanjing Innolux Optoelectronics Ltd.	1	Sales	164,262	-	-
0	Innolux Corporation	Leadtek Global Group Limited	1	Processing expense	18,527,796	-	6
0	Innolux Corporation	Leadtek Global Group Limited	1	Accrued expenses	(21,080,569)	-	5
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Sales	225,318	-	-
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Accounts receivable	796,728	-	-
1	Foshan Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	3	Processing revenue	15,471,977	-	5
1	Foshan Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	3	Accounts receivable	2,767,180	-	1
2	Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	3	Processing revenue	18,372,503	-	6
2	Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	3	Accounts receivable	16,946,551	-	4
3	Ningbo Innolux Display Ltd.	Lakers Trading Ltd.	3	Processing revenue	17,786,185	-	5
3	Ningbo Innolux Display Ltd.	Lakers Trading Ltd.	3	Accounts receivable	3,423,930	-	1
4	Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Processing revenue	12,749,197	-	4
4	Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Accounts receivable	6,673,314	-	2

				Transaction (Note C)			
Number (Note 1)	Company name	Counterparty	Relationship (Note A)	General ledger account	Amount	Transaction terms (Note B)	Percentage of consolidated total operating revenues or total assets
5	Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Processing revenue	$ 8,536,865	-	3
5	Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Accounts receivable	2,106,625	-	1
6	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	3	Sales	4,706,550	-	1
6	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	3	Accounts receivable	846,815	-	-
7	Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	3	Sales	1,698,493	-	1
7	Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	3	Accounts receivable	315,142	-	-
8	Innocom Technology (Shenzhen) Co., Ltd.	Lakers Trading Ltd.	3	Processing revenue	258,405	-	-
8	Innocom Technology (Shenzhen) Co., Ltd.	Lakers Trading Ltd.	3	Accounts receivable	890,068	-	-
9	Innolux Europe B.V.	Innolux Hong Kong Limited	3	Service revenue	659,699	-	-
9	Innolux Technology Japan Co.,Ltd.	Innolux Hong Kong Limited	3	Service revenue	270,068	-	-
10	Lakers Trading Ltd.	Ningbo Innolux Electronics Ltd.	3	Sales	171,488	-	-
11	Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	3	Sales	162,765	-	-

Note A: 1 refers to the parent company to the subsidiary.

3 refers to the subsidiary to the subsidiary.

Note B: Except for no comparable transactions from related parties, sales prices were similar to non-related parties transactions and the collection period was 30~120 days; the purchases from related parties were at market prices and payment term was 30~120 days upon receipt of goods.

Note C: Amount disclosure standard: purchases, sales and receivables from related parties in excess of $100 million or 20% of capital.

Innolux Corporation and Subsidiaries

Information on investees

For the year ended December 31, 2017

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
Innolux Corporation	Bright Information Holding Ltd.	Hong Kong	Investment holdings	$ 119,724	$ 119,724	4,910,000	100	$ 95,703	$ 1,084	$ 1,084	
Innolux Corporation	Golden Achiever International Limited	BVI	Investment holdings	119,106	119,106	40,250	100	18,669	(41,026)	(41,026)	
Innolux Corporation	Innolux Holding Limited	Samoa	Investment holdings	6,192,679	7,858,300	180,568,185	100	20,423,738	2,635,650	2,635,650	
Innolux Corporation	Keyway Investment Management Limited	Samoa	Investment holdings	62,197	187,457	1,656,410	100	78,709	13,100	13,100	
Innolux Corporation	Landmark International Ltd.	Samoa	Investment holdings	33,438,542	33,438,542	709,450,000	100	44,160,820	(741,423)	(771,767)	
Innolux Corporation	Toppoly Optoelectronics (B.V.I.) Ltd.	BVI	Investment holdings	3,674,115	3,674,115	146,847,000	100	6,476,884	(99,582)	(98,893)	
Innolux Corporation	Innolux Hong Kong Holding Limited	Hong Kong	Investment holdings	1,889,115	2,107,291	1,158,844,000	100	3,797,279	596,156	586,392	
Innolux Corporation	Leadtek Global Group Limited	BVI	Distributor company	-	-	50,000,000	100	999,166	1,326,504	1,326,504	
Innolux Corporation	Yuan Chi Investment Co., Ltd.	Taiwan	Investment company	1,217,235	1,217,235	-	100	843,311	(108,668)	(108,668)	
Innolux Corporation	InnoJoy Investment Corporation	Taiwan	Investment company	1,674,054	1,674,054	167,405,392	100	1,381,380	65,209	65,209	
Innolux Corporation	Innolux Optoelectronics Europe B.V.	Netherlands	Importing, exporting, buying, selling and logistics services of electronic equipment and TFT-LCD monitors	-	121,941	-	-	-	6,965	5,944	
Innolux Corporation	Innolux Japan Co., Ltd.	Japan	Holdings, R&D, manufacturing and Distributor company	1,335,486	1,335,486	80	49	1,496,157	22,299	22,299	
Innolux Corporation	Innolux Corporation	USA	Distributor company	90,845	-	32,000	100	2,500	(1,335)	(203)	
Innolux Corporation	Innolux Technology USA Inc.	USA	Distributor company	354,262	-	1,000	100	349,930	8,543	493	
Innolux Corporation	iZ3D, Inc.	USA	Research and development and sale of 3D flat monitor	-	-	4,333	35	-	-	-	
Innolux Corporation	Chi Mei Lighting Technology Corporation	Taiwan	Manufacturing of electronic equipment and lighting equipment	819,312	819,312	78,195,856	33	-	-	-	
Innolux Corporation	Ampower Holding Ltd.	Cayman	Investment holdings	1,717,714	1,717,714	14,062,500	50	853,016	25,735	12,867	
Innolux Corporation	FI Medical Device Manufacturing Co., Ltd.	Taiwan	Production and selling of the absorption for medical element	73,500	73,500	7,350,000	49	525,926	685,633	339,907	

				Initial investment amount		Shares held as at December 31, 2017					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
Innolux Corporation	GIO Optoelectronics Corp.	Taiwan	Sales and manufacture of TFT-LCD parts and components	$ 800,892	$ 800,892	10,494,001	24	$ 111,354	$ 37,487	$ 8,914	
Innolux Holding Limited	Rockets Holding Ltd.	Samoa	Investment holdings	5,222,180	7,296,530	160,504,550	100	11,932,235	(31,714)	(31,714)	
Innolux Holding Limited	Suns Holding Ltd.	Samoa	Investment holdings	555,422	555,422	18,177,052	100	8,264,697	2,668,427	2,668,427	
Innolux Holding Limited	Lakers Trading Ltd.	Samoa	Distributor company	-	-	1	100	226,729	-	-	
Innolux Holding Limited	Innolux Corporation	USA	Distributor company	-	6,348	-	-	-	(1,335)	(1,132)	
Toppoly Optoelectronics (B.V.I.) Ltd.	Toppoly Optoelectronics (Cayman) Ltd.	Cayman	Investment holdings	3,650,192	3,650,192	146,817,000	100	6,476,566	(99,582)	(99,582)	
Innolux Hong Kong Holding Limited	Innolux Optoelectronics Hong Kong Holding Limited	Hong Kong	Investment holdings	-	-	162,897,802	100	1,394,290	165,169	165,169	
Innolux Hong Kong Holding Limited	Innolux Hong Kong Limited	Hong Kong	Distributor company	-	-	35,000,000	100	(1,089,257)	374,757	374,757	
Innolux Hong Kong Holding Limited	Innolux Europe B.V.	Netherlands	Holding company and R&D testing company	3,209,158	3,073,072	375,810	100	2,341,954	42,943	42,943	
Innolux Hong Kong Holding Limited	Innolux Japan Co.,Ltd.	Japan	Holdings, R&D, manufacturing and Distributor company	1,815,603	1,815,603	82	51	1,661,840	1,351	1,351	
Innolux Hong Kong Holding Limited	Innolux Technology USA Inc.	USA	Distributor company	-	263,685	-	-	-	8,543	8,050	
Innolux Europe B.V.	Innolux Optoelectronics Germany GmbH	Germany	Importing, exporting, buying, selling and logistics services of electronic equipment and TFT-LCD monitors	10,324	10,324	250	100	14,077	634	634	
Innolux Japan Co.,Ltd.	Innolux Optoelectronics USA, Inc.	USA	Selling of electronic equipment and computer monitors	2,400	2,400	1,000	100	271,811	9,214	9,214	
Rockets Holding Ltd.	Stanford Developments Ltd.	Samoa	Investment holdings	5,391,125	5,391,125	164,000,000	100	11,903,213	(33,332)	(33,332)	
Rockets Holding Ltd.	Nets Trading Ltd.	Samoa	Investment company	27,477	27,477	900,001	100	28,889	1	1	
Suns Holding Ltd.	Warriors Technology Investments Ltd.	Samoa	Investment company	555,422	555,422	18,177,052	100	8,264,696	2,668,427	2,668,427	
Innolux Europe B.V.	Innolux Technology Germany GmbH	Germany	Testing and maintenance company	33,735	33,735	100,000	100	62,081	2,864	2,864	
Yuan Chi Investment Co., Ltd.	Chi Mei Lighting Technology Corporation	Taiwan	Manufacturing of electronic equipment and lighting equipment	263,812	263,812	19,673,402	8	-	-	-	

				Initial investment amount		Shares held as at December 31, 2017					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
Yuan Chi Investment Co., Ltd.	GIO Optoelectronics Corp.	Taiwan	Manufacturing and selling of components of TFT-LCD	$ 6,881	$ 6,881	77,235	-	$ 843	$ 37,487	$ 67	
Yuan Chi Investment Co., Ltd.	TOA Optronics Corporation	Taiwan	Selling of electronic materials, trading business, manufacturing of electronic equipment and lighting equipments	423,606	423,606	58,007,000	40	-	(272,602)	(86,901)	

Innolux Corporation and Subsidiaries

Information on investments in Mainland China

For the year ended December 31, 2017

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note A)	Investment method (Note C)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note B)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Innocom Technology (Shenzhen) Co., Ltd.	Manufacturing and selling of LCD backend module and related components	$ 4,880,640	2	$ 3,776,893	$ -	$ -	$ 3,776,893	($ 33,371)	100	($ 33,371)	$ 11,903,163	$ 1,103,747	2.1
OED Company	Manufacturing and selling of electronic paper	292,896	2	59,520	-	-	59,520	(96,503)	4	-	6,752	-	2.1
Ningbo Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	9,225,600	2	219,184	-	-	219,184	(1,993,452)	100	(1,993,452)	19,339,733	5,137,616	2.2
Foshan Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	11,398,080	2	11,398,080	-	-	11,398,080	934,684	100	937,060	20,721,423	-	2.2
Ningbo Innolux Display Ltd.	Manufacturing and selling of LCD backend module and related components	4,761,600	2	4,761,600	-	-	4,761,600	314,967	100	314,967	4,164,917	-	2.2
Nanjng Innolux Technology Ltd.	Purchases and sales of monitor-related components company	62,496	2	62,496	-	-	62,496	19,625	100	19,625	557,316	-	2.3
VAP Optoelectronics (Nanjing) Corp.	Manufacturing and selling of LCD backend module and related components	300,576	2	113,088	-	-	113,088	(41,027)	100	(41,027)	18,295	-	2.4
Nanjing Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	4,344,960	2	4,286,499	-	-	4,286,499	(116,971)	100	(116,971)	5,919,229	-	2.3 2.8
Shanghai Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	624,960	2	-	-	-	-	165,169	100	165,169	1,394,290	-	2.5

Investee in Mainland China	Main business activities	Paid-in capital (Note A)	Investment method (Note C)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note B)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Foshan Innolux Logistics Ltd.	Warehousing services	$ 44,640	2	$ 44,640	$ -	$ -	$ 44,640	$ 4,737	100	$ 4,737	$ 74,038	$ -	2.6
Amlink (Shanghai) Ltd.	Manufacturing and selling of power supply, modem, ADSL, and other IT equipments	238,080	2	297,600	-	-	297,600	-	50	-	192,427	-	2.7
Interface Optoelectronics (Shenzhen) Co., Ltd.	Development of new type of flat panel display, monitor and peripherals, production and management, and offer of after-sales service	2,862,912	2	401,760	-	-	401,760	1,821,286	7	-	4,814,606	-	2.1
Ningbo Innolux Electronics Ltd.	Manufacturing and selling of LCD backend module and related components	136,635	3	-	-	-	-	130,536	100	130,536	371,711	-	3.1
Foshan Innolux Flnet Electronics Ltd.	Commodity agency	4,555	3	-	-	-	-	1,274	100	1,274	5,840	-	3.2
Ningbo Innolux Flnet Electronics Ltd.	Commodity agency	4,555	3	-	-	-	-	3,261	100	3,261	7,556	-	3.2

Ceiling on investments in Mainland China:

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Innolux Corporation	$ 26,761,777	$ 35,873,581	$ 158,595,029

Note A: The relevant figures were listed in NT$. Where foreign currencies were involved, the figures were converted to NT$ using exchange rate.

Note B: Profit or loss recognised for the year ended December 31, 2017 was audited by independent accountants.

Note C: The investment methods are as follows:

1. Directly investing in Mainland China.
2. Through investing in companies in the third area, which then invested in the investee in Mainland China.
   2.1. Through investing in Innolux Holding Limited in the third area, which then invested in the investee in Mainland China.
   2.2. Through investing in Landmark International Ltd. in the third area, which then invested in the investee in Mainland China.
   2.3. Through investing in Toppoly Optoelectronics (B.V.I) Ltd. in the third area, which then invested in the investee in Mainland China.
   2.4. Through investing in Golden Achiever International Ltd. in the third area, which then invested in the investee in Mainland China.
   2.5. Through investing in Innolux Hong Kong Holding Ltd in the third area, which then invested in the investee in Mainland China.
   2.6. Through investing in Keyway Investment Management Limited in the third area, which then invested in the investee in Mainland China.
   2.7. Through investing in Ampower Holding Ltd. in the third area, which then invested in the investee in Mainland China.
   2.8. Nanjing Innoloux Optoelectornics Ltd. acquired Kunpal Optoelectronics Ltd. by merger, which was approved by the Investment Commission of the Ministry of Economic Affairs in November 2017.
3. Others.
   3.1. The company invested in the company via investee company in Mainland China, Ningbo Innolux Display Ltd. Except for the investment via the holding companies in Mainland China, other investments shall be not approved by Investment Commission of the Ministry of Economic Affairs.
   3.2 The company invested via Foshan Innolux Optoelectronics Ltd. and Ningbo Innolux Optoelectronics Ltd. which are the company investment entities in Mainland China to invest in Foshan Innolux Flnet Electronics Ltd. and Ningbo Innolux Flnet Electronics Ltd. Except for the investment via the holding companies in Mainland China, other investments shall be not approved by Investment Commission of the Ministry of Economic Affairs.