



E INK HOLDINGS INC.
2021 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.



Route 211 To Milwaukee: (read down)		City	Route 210 To Wausau: (read up)	
Lv 7:45am	Wausau Transit		Ar 7:55pm	
8:05am	Wausau Laners		7:40pm	
8:35am	Stevens Point		7:10pm	
Lv 8:40am	Stevens Point		Ar 7:10pm	
Ar 10:55am	UW-Madison		Lv 4:50pm	
Ar 11:15am	Madison Duch Mill		Lv 4:25pm	
Lv 8:45am	UW-Stevens Point		Ar 7:05pm	
9:20am	Waupaca		6:25pm	
10:05am	Appleton		5:25pm	
10:55am	UW-Oshkosh		4:50pm	
11:05am	Oshkosh		4:40pm	
11:35am	Fond du Lac		4:15pm	
12:50pm	Milwaukee Intermodal		3:00pm	
Ar 1:20pm	Milwaukee Airport		Lv 2:30pm	



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**Name Of International Public Securities Exchanges And
How to Get Information about Securities Traded There**

Trading house: Luxembourg Stock Exchange
Inquiry method: Bloomberg
Website: <http://www.bourse.lu/>

Corporate Website

<http://www.eink.com>

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- B. Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors’Report

I. Letter to Shareholders

To all shareholders:

2021 Business Report

The COVID-19 pandemic continued to affect the global economy and environment in 2021. Faced with the uncertain development of the epidemic, the company faced challenges in operation management, production and shipping, and supply chain scheduling. Still, based on good and efficient operations, E Ink saw significant growth during 2021. Consolidated revenues of NT\$19.65 billion was reported by E Ink in 2021, a 9-year high. Operating margin of 15.4%, net profit margin of 26.2%, net income after tax of NT\$5.15 billion and earnings per share (EPS) of NT\$4.53 also reached a ten-year high.

Looking back at business development in 2021, distance learning and work from home, and stay-at-home economy trends continued to drive growth in the eReader and eNote businesses. The zero-contact economy continued to accelerate the digital transformation of the retail industry as well, boosting the demand for electronic shelf labels (ESL). In response to the growth prospects of the ePaper industry, the Board passed a resolution in 2021 to add two more production lines in Hsinchu. If the expansion plan announced in 2020 is taken into account, there will be a total of 4 production lines to meet future demand from a growing market. At the same time, in June 2021, we expanded capacity in Yangzhou to develop upstream material of e-paper modules, and in October 2021, we expanded Ink capacity in US, and in December 2021, we constructed a new administrative building and multi-story carpark in Hsinchu Taiwan to meet the expansion of capacity and workforce.

eReaders and eNotes are used in smart education, smart office, digital reading and note-taking applications. The launch of the new E Ink Kaleido™ Plus print color e-paper technology with enhanced optical performance and larger screen sizes enables our customers to create products that are closer to the reading experience of printed books and lead consumers to get new products.

In retail applications, ESL with dynamic displays can achieve real-time synchronization of online and offline price promotions. It not only replaces single-use printed price labels but also improves the operating efficiency of retail stores by simplifying the price changing process. To meet the demand for color marketing from retailers, e-paper has evolved from monochrome to the 3-colors (black/white/red or black/white/yellow) E Ink Spectra™ 3000. The launch of E Ink Spectra 3100™ 4-color e-paper (black, white, red, and yellow) in 2021 provided retailers with a more diverse product combinations. New retail and zero-contact economy not only accelerated the digital transformation of the retail industry but also speed up the introduction of ESL, driving the growth momentum of retail applications. Now that issues such as low-carbon and environmental sustainability are important to all industries, replacing single-use printed price labels with ESL and reducing the demand for power consumption through e-paper with low-power consumption and continuous non-power display can help retailers introduce digital solutions with ESG sustainability value.

For digital signage, an Internet-of-Things (IoT) application, e-paper with its ultra-low power consumption, continuous non-power display, and visibility under sunlight combined with solar power and energy storage systems can operate in the mode of zero-carbon emission So that the development of smart city can be done without additional power consumption, bringing product value in sustainable environmental development. E Ink will continue to work with ecosystem partners on large size and color e-paper products to develop the market for smart cities and smart healthcare applications.

To expand and strengthen the development of ePaper industry, E Ink is working with e-paper ecosystem partners to develop new e-paper applications. The “E-Paper Industry Alliance” (EPIA) platform was therefore set up in partnership with China-based panel maker BOE and Jiangxi Holitech. The platform will focus on eight key applications, including smart education, smart office, smart retail, smart transport, smart logistics, smart factory, smart healthcare, and smart civil aviation. E Ink will work with alliance members through the EPIA platform to build up the overall supply chain layout and develop e-paper markets and applications. Together, we will promote the sustainable growth in the e-

paper industry.

Product developments in 2021 included continuous investment in R&D in color e-paper technology. Our three main color e-paper technologies - E Ink Kaleido™ Plus print color e-paper, E Ink Spectra™ 3100 4-color e-paper, and E Ink Gallery™ advanced color e-paper - are all in mass production. These three distinct color e-paper technologies cater for the product design and market needs of its ecosystem partners in different fields and will continue to drive business growth. These included:

- E Ink Kaleido™ Plus offers a warm color display that can be used for playing animations or videos, suitable for textbooks and illustrated books in education field. It provides new digital reading and writing options for professional applications as well. The E Ink Kaleido™ Plus e-paper module was also presented with the “Paper-like” quality mark and China-mark certifications by TÜV Rheinland Greater China. It is also the first e-paper display module to obtain this certification. Like traditional paper, e-paper doesn't need a backlight source. There is no light source directly to the viewer's eyes making it the most paper-like and eye-protecting display available.
- E Ink Spectra™ 3100 4-color e-paper features warm and highly saturated colors that can be used in ESL and marketing signage, providing rich advertising content to meet the need for color marketing from retailers as well as an optional feature that flickers during screen changes for a more flexible, eye-catching effect.
- E Ink Gallery™ uses E Ink ACeP™ full-color e-paper display technology to create paper-like texture and full color display so that the advanced color e-paper has the visual effect of printed posters. Suitable applications includes public signage, commercial advertising signage, and digital display media at museums and galleries.

To help realize the sustainable development goal of net zero carbon emissions worldwide, E Ink is actively promoting low-carbon display benefits of ePaper application. We hope to introduce eco-friendly ePaper applications to more smart applications.

- ♦ eReader: Around 130 million eReaders have been used worldwide over the last five years. The purchase and reading of printed books are now being replaced by digital reading. Assuming that each of the 130 million eReaders download 10 books a year, reading those books in print or on a LCD tablet will generate 100,000 times or 50 times the CO₂ emissions of reading the same books on an eReader.
- ♦ Electronic Shelf Labels: The 3” ESL is the most common type in use and 600 million labels were installed around the world over the past seven years. If pricing is changed four times a day, disposable printed labels will generate 32,000 times the carbon emissions of ESL.

If there are 30 million 10” digital signage around the world, electricity consumption by LCD signage produces 12,000 times more CO₂ emissions than ePaper signage over five years. The use of low-carbon, dynamic display and paper-like digital signage can reduce CO₂ emissions up to 60,000 times compared to disposable printed paper.

- ♦ ePaper Bus Stop Sign: Taking bus stop signs in major cities in Taiwan as an example, if we introduce smart bus stop sign solutions at all 64,000 bus stops, the solar-powered ePaper bus stop signs will produce net zero emissions over the course of five years. Smart bus stop signs that use LCD monitors will generate 200,000 tons of carbon emissions by comparison. Based on Taiwan's proposed carbon fee of US\$10 per ton, the carbon pricing benefits of ePaper bus stop signs compared to LCD signage is estimated to exceed NT\$55 million.
- ♦ Digital Signage: Preliminary statistics of factory correction and operation investigation published in 2021 by the Department of Statistics, Ministry of Economic Affairs, indicated that there were 90,763 active manufacturing factories in Taiwan. If each factory used ten 32” digital manufacturing data displays, a total of 900,000 units and if all used ePaper

signage, their total consumption after five years would only amount to 20,000 tons. If LCD signage were to be used for five years, electricity consumption will generate 400,000 tons of CO₂ emissions, or 20 times more than digital signage. Based on Taiwan's proposed carbon fee of US\$10 per ton, the carbon pricing benefits of digital signage will exceed that of LCD signage by more than NT\$100 million.

The protection and management of R&D patents at E Ink are being strengthened to keep pace with advances in e-paper technology. In 2021, E Ink completed the Taiwan Intellectual Property Management System (TIPS) certification process. E Ink will continue to protect patents, R&D technology, and business secrets against the risk of infringement or disclosure from a knowledge and risk management perspective.

E Ink partnered with Nuclera, a biotech company, to work on digital microfluidics (DMF), a critical technology involved in e-paper manufacturing. The partnership is aimed to diversify applications of e-paper related technologies. E Ink Corp., the US subsidiary of E Ink, merged its DMF team with the US subsidiary of Nuclera (Nuclera Nucleics Ltd.) in return for a stake in the company and became the largest strategic shareholder of Nuclera. When DMF technology is combined with Nuclera biopolymer synthesis technology, this advanced lab-on-a-chip technology allows users to digitally program a synthetic bioprinting system for proteins and genes on a desktop device in less than a day.

At the same time, E Ink's continued refinement of our R&D capability has been recognized by science and technology awards. In 2021, E Ink Kaleido™ Plus print color e-paper technology won the 30th Taiwan Excellence Silver Award; E Ink Spectra 3100™ All-in-One Driver IC won the "2021 Computex Best Choice Award - IC & Components." The awards recognized the R&D prowess of E Ink in e-paper technology.

For its continued commitment in ESG sustainability, E Ink won the 2021 Asia Responsible Enterprise Awards (AREA) for the first time and was awarded two international awards of "Green Leadership" and "Investment in People". E Ink also won the "Corporate Sustainability Report Award – Gold Award in IT & IC Manufacturing" from TCSA Taiwan Enterprise Sustainability Award for the 5th consecutive year and was awarded "Taiwan Enterprise Sustainability Award" and "Best Practice Award - Growth through Innovation Award". E Ink was also included in The Sustainability Yearbook 2022 for the first time by coming in the top 10% of the electronic equipment, instruments, and components industry of the S&P Global Corporate Sustainability Assessment. At the same time, E Ink was included in three ESG-related indices by TPEX, including the TIP Taiwan TPEX ESG Index, the TIP Customized TPEX ESG IT Elite Total Return Index, and the TIP Customized TPEX ESG Growth Total Return Index. E Ink also won the "Best Companies to Work for in Asia 2021" by *HR Asia*, the leading international human resources periodical, recognizing E Ink's investment in three areas: talent development, compensation and benefits, and friendly workplace. The awards and indices all reflected the outstanding performance of E Ink in environmental sustainability, social inclusion and corporate governance.

ESG sustainable development goals consider mitigating the environmental impact of climate change to be the duty of global citizens. National governments and enterprises around the world are now rushing to support environmental sustainability actions such as Net Zero Carbon Emissions, Carbon Neutrality, or Climate Neutrality. In May 2021, E Ink became the first enterprise in Taiwan to fulfill our statutory obligation as a major power user under the Renewable Energy Development Act by using renewable energy for 10% of installed capacity at our Hsinchu plant. Three milestones were also set for 2021, namely achieving 40% renewable energy consumption by 2025, realizing the RE100 goal by using 100% renewable energy by 2030, and fulfilling our commitment to net zero carbon emissions by 2040 in support of environmentally sustainable development.

2022 Business Focus

The COVID-19 pandemic will continue to challenge economic and environmental development to a certain extent in 2022. As E Ink prepares to enter its 30th year of operation, innovations in color e-paper technology and the creation of low-carbon green products will continue to drive the company's continuous growth and sustainable development with the strategy of "Profitability + Sustainability"; increase investment in e-paper material technology and build e-paper material supply chain; expansion

of e-paper ecosystem and e-paper alliance; expand supply chain participation to build and stabilize e-paper production capacity; profitability will be enhanced through improvement of business performance, strengthening of R&D capabilities, and optimization of business model. Sustainability practices will also be carried out to strengthen business sustainability.

Based on the existing eReaders, eNotes, retail and IoT applications, the company will actively work with partners to expand the e-paper ecosystem and invent more diversified applications of e-paper products. Solid product R&D capacity will help meet the market demand for various applications, from “E Ink on Every Smart Surface” to the goal of “We Make Surfaces Smart & Green.” Significant advances have been made on color, large size and folding eReaders. Meanwhile, paper like products such as eNotes with pen have been launched as well and steady market growth is expected. The release of more color products for retail applications, the completion of the ecosystem, and the help of various subjective and objective factors have also contributed to continuous market growth. Business continues to expand from module sales to e-paper film and material sales as well to meet increasing demand from customers and applications. The IoT business is evolving towards both large and small size. The introduction of color large signage will better meet the needs of healthcare and transportation. Demand from application markets such as small logistics tags and smart factories should generate sustainable growth as well. E Ink’s continued expansion of e-paper applications and markets have fueled company growth. In February 2022, E Ink was included in the MSCI Global Standard Index, affirming our focus and commitment on the development of the e-paper market.

In terms of new technologies, E Ink is continuing to refine its color ePaper technology. Major upgrades were made to the three main color ePaper technologies in 2022 to expand application in the smart field.

- ◆ **E Ink Gallery™ Plus Full Color ePaper:** Indoor commercial signage for department stores and restaurants; public signage and information displays for MRT, airports, etc. The display color Gamut* can be up to 60,000 colors, and the color contrast is improved by 40% compared to the original technology. Contrast ratio is increased from 10 in the first generation to 14.
- ◆ **E Ink Gallery™ 3 Full Color ePaper:** Resolution is increased from 150 ppi in the first generation to 300 ppi. The refresh rate for color display is greatly improved. In fast color display mode, refresh rate is 500ms; in standard mode, 750 to 1,000 ms; in best color mode, 1,500 ms. The technology is suitable for displaying digital content with rich colors such as illustrated books, text books and magazines. Digital handwriting and touch control functionality can also be integrated to build a full color eNote that delivers color digital note-taking and sketching functions.
- ◆ **E Ink Kaleido™ 3 Print Color ePaper:** Color saturation and brightness was enhanced through optimization of the ePaper module design. The 30% improvement in color saturation over the previous generation of technology, presenting more vivid colors and clear text display. Visual clarity is also improved. The warm color display performance and E Ink ComfortGaze front light technology reduces the amount of blue light reflected from the display surface. The technology is suitable for devices that display rich image information such as forms, maps, images, text books and advertising. Applications include smart education and digital reading platforms.
- ◆ **E Ink Spectra™ 3100 Plus 5-Color ePaper :** The five vivid saturated colors of black, white, red, yellow and orange combined with E Ink Sparkle™ dynamic flashing technology can present more eye-catching images and animation effects. Retailers can use the technology to add more attention-grabbing effects to their color advertising.

Technology development, in addition to continuous improvement of the development of color ePaper, also focus on ePaper technology and materials R&D. Technologies of interest include ePaper film and materials, color, flexibility, and those needed by the ePaper ecosystem. We will focus on four key R&D resources, such as wireless power supply, ePaper timing controller chip, and product reference


design. Comprehensive layout of ePaper related patents and speed up commercial licensing and mass production for the end-user market. At the same time, R&D on e-paper module manufacture will be promoted to provide ecosystem partners with better e-paper modules technology reference and support the development of the e-paper industry. We will continue to build on the existing technical advantages of e-paper such as low power consumption and environmental friendliness. Develop technologies related to reduction of layering, less materials and energy saving. Products with even lower carbon footprints will be created on the basis of carbon reduction, energy saving, recycling and innovation in order to contribute to environmental sustainability.

Operation management will concentrate on expansion of production capacity and establishment of material production capability to meet the demands of a growing market. Production will take full advantage of global production and strengthen the introduction of automation. This will not only shorten the production cycle and improve operation efficiency but also enhance product competitiveness and shorten their time-to-market. Procurement logistics will focus on supply chain cooperation and engagement. The flexibility and resilience of the e-paper supply chain will be reinforced in response to a rapidly changing external environment. Business management must pay attention to key topics such as sustainability development, human rights, and job safety. The goal of net zero carbon emissions and renewable energy in response to climate change is also a concern for production, procurement and collaboration with the supply chain.

Future Prospects

External factors such as the COVID-19 pandemic, international politics, climate change, energy access, human resource and information security are all important issues that E Ink must face and respond to in its pursuit of growth and sustainability. E Ink continues to set management strategies based on rigorous processes and controls. Operational flexibility and efficiency will be ensured through incorporating diverse views and enhancing decision-making efficiency. Entering the AI IoT era (AIoT) and implementation of the ESG sustainability development vision, E Ink will leverage energy saving and eco-friendly e-paper to launch smart, ultra-low power e-paper products with ecosystem partners. It will not only facilitate the introduction of smart devices in various fields but also reduce electricity consumption and encourage enterprises and institutions to focus on the goal of net zero carbon emissions. At the same time, E Ink will enhance R&D and production with precise and efficient operation management. We will also keep close contact with customers and supply chain partners to ensure the smooth production and shipment of e-Paper. In addition to steadily building the growth momentum of the company, we also use e-paper technology and applications to support the development of a sustainable, smart “paper-less” environment.

Best regards

A handwritten signature in black ink, appearing to read 'Johnson Lee', written in a cursive style.

Chairman
Johnson Lee

II. Company Profile

2.1 Date of Incorporation: June 16, 1992

2.2 Company History

Established in June 16, 1992

Sep-00	Capacity reached 18,000 substrate per month.
Oct-00	Public listing approved by Securities & Futures Institute ((2000)Tai-Cai-Zheng (I) Letter No. 86989).
Sep-01	Capacity expanded to 36,000 substrate per month.
Oct-01	Obtained ISO 9001 certification
Apr-02	Permission granted by MOEA Investment Commission to establish Transcend Optronics (Yangzhou) Co., Ltd. as an indirect investment in China through an investment business in a third region.
Jul-02	Received QS-9000 (quality), ISO 14001 (environment) and OHSAS 1800 (safety and health) certifications
Feb-03	Officially listed as an Emerging Stock with Taipei Exchange on February 14.
Oct-03	Applied for OTC trading with Taipei Exchange.
Jan-04	Approved OTC trading with Taipei Exchange.
Mar-04	Officially listed on the Taipei Exchange on March 30.
Nov-04	Permission granted by MOEA Investment Commission to establish Rich Optronics (Yangzhou) Co., Ltd. as an indirect investment in China through an investment business in a third region.
May-05	Contract signed for cooperating with the Philips N.V. ePaper display business.
May-06	Equity reduced by 296,000 shares after first buyback of treasury stocks.
Oct-06	U.S. subsidiary established for building U.S. sales network.
May-07	Technology and patent licensing agreement signed with Company A.
Nov-07	MOU signed to acquire Korean panel manufacture BOE Hydis Technology Co., Ltd.
Jul-08	Hydis Technologies Co., Ltd. shares were formally purchased on July 4.
Jun-09	Signed contract with E Ink, an U.S. ePaper manufacture, and its shareholders' representative to acquire 100% of its company shares.
Sep-09	Signed the revised acquisition and share-swap contracts with E Ink, an U.S. Paper manufacture, and its shareholders' representative. 100% share of E Ink was acquired on December 23 of the same year.
Dec-09	Hydis subsidiary signed bond purchasing contract, collateral contract, investment contract, and cross-licensing contract with LG Display.
May-10	Permission granted by MOEA Investment Commission to establish Transyang Electronics (Yangzhou) Co., Ltd. as an indirect investment in China through an investment business in a third region.
Jun-10	Company name changed to E Ink Holdings Inc.
Nov-10	New E Ink Pearl™ monochrome ePaper display won "Best of What's New 2010" award from Popular Science (PopSci).
Dec-10	Won award for printed electronics at 4th IDTechEx in the U.S.
Jan-11	Permission granted by MOEA Investment Commission to establish Transmart Electronics (Yangzhou) Co., Ltd. as an indirect investment in China through an investment business in a third region.
Mar-11	Resolution passed by the Board of Directors to make a second buy back of treasury stock and transfer them to employees as part of the company's overall talent retention plan.
May-11	E Ink Triton™ color ePaper display won "Gold Display Component of the Year" at the 2011 Display of the Year Awards (DYA) presented by the Society for Information Display (SID).
May-11	Yuen-Yu Investment Co., Ltd. transferred business units that it manages but does not have direct ownership over to the newly established Kai-Yu Investment Co., Ltd. The move was intended to boost returns on investment through better delegation on investment management.
Jul-11	Resolution passed by the Board of Directors to purchase TWD 1.5 billion in domestic unsecured convertible company bonds issued by Chunghwa Picture Tubes, Ltd. as a private offering to establish a strategic alliance between the two companies.
Oct-11	E Ink Triton™ color ePaper display won "Innovation of the Year Award" for 2011 from the Wall Street Journal.
Oct-11	Participated in the subscription and purchase of newly issued corporate bonds by Hydis in the amount of US\$30,500,000 to strengthen Hydis's financial structure and structure and enrich the funds required for its operations.
Nov-11	E Ink Pearl™ ePaper display wins won "Innovation of the Year" presented by the U.K. Institute of Engineering and Technology (IET).
Nov-11	Agreed with LG Display to terminate the investment contract related to Hydis, and Hydis will redeem the corporate bonds issued by Hydis held by LG Display in advance, and the guarantee contract related to the corporate bonds will be released together.

Jun-12	E Ink's next-generation high-efficiency ePaper display recognized at "15th Outstanding Photonics Product Awards" presented by PIDA.
Jun-12	High contrast E Ink Pearl™ ePaper display received "Outstanding Component Award" at the "11th Gold Panel Awards" presented by the MOEA Industrial Development Bureau.
Jul-12	E Ink and the company's Korean subsidiary Hydis Technologies Co., Ltd. signed patent cross-licensing agreement with Company B.
Oct-12	E Ink and the company's Korean subsidiary Hydis Technologies Co., Ltd. signed patent cross-licensing agreement with Company C.
Nov-12	Acquired shares in SiPix Technology, Inc. For the E Ink ePaper patent portfolio.
Dec-12	E Ink and the company's Korean subsidiary Hydis Technologies Co., Ltd. signed patent cross-licensing agreement with Company D.
Jan-13	Resolution passed by the Board of Directors to purchase the Linkou site and equipment of SiPix Technology, Inc. subsidiary in order to consolidate the production operations of E Ink Group in Taiwan and improve asset returns.
May-13	Announcement of the E Ink Spectra™ three-color electronic paper display, which was awarded the "Best in Show 2013" by the Society for Graphic Display (SID).
Jun-13	E Ink Triton™ full-effect color ePaper display recognized at "16th Outstanding Photonics Product Awards" presented by PIDA.
Nov-13	Korean subsidiary Hydis Technologies Co., Ltd. signed patent cross-licensing agreement with Company E.
Apr-14	Korean subsidiary Hydis Technologies Co., Ltd. signed patent cross-licensing agreement with Company F.
Jun-14	E Ink Spectra™ tri-color ePaper display recognized at "17th Outstanding Photonics Product Awards" presented by PIDA.
Dec-14	Presented with "SEMI Standards Contribution Award" by SEMI Taiwan.
Jan-15	Announcement of E Ink Prism™ color changing e-paper technology.
Aug-15	Wirelessly powered ePaper display won the "Outstanding Technology Award" at the "14th Gold Panel Awards" presented by Taiwan Display Union Association (TDUA).
Dec-15	Korean subsidiary Hydis Technologies Co., Ltd. sign patent cross-licensing agreement with Company G.
Apr-16	E Ink Spectra™ 3-color e-paper display won the Taiwan Excellence Silver Award from the Ministry of Economic Affairs of the Republic of China.
May-16	Published advanced color electronic paper technology (ACeP), and was awarded the "Best in Show 2016" by the Society for Graphic Display (SID).
Jun-16	Resolution passed by the Board of Directors to make a third buy back of treasury stock and transfer them to employees as part of the company's overall talent retention plan.
Jul-16	Subsidiary Yuen-Yu Investment Co., Ltd. acquired Kai-Yu Investment Co., Ltd. to consolidate company resources and streamline the company structure.
Sep-16	Korean subsidiary Hydis Technologies Co., Ltd. signed patent cross-licensing agreement with Company H.
Nov-16	E Ink signed MOU on strategic cooperation with Company I.
Dec-16	The company was awarded the Green Power Gratitude Award by the Ministry of Economic Affairs of the Republic of China.
Feb-17	32" color ePaper displays presented with Gold Award at the "Taiwan Excellence Awards" by the MOEA.
Apr-17	E Ink established a joint venture with SONY Semiconductor on ePaper display business.
Sep-17	6.1" non-geometric flexible wearable ePaper display won the "Outstanding Product Award" at the "2017 Gold Panel Awards" presented by Taiwan Display Union Association (TDUA).
Oct-17	Since 2015, the company has been awarded the Asia IP Elite Award by the world-renowned intellectual property professional magazine IAM (Intellectual Asset Management) for 3 consecutive years.
Nov-17	E Ink's "2016 Corporate Social Responsibility Report" was recognized at the "2017 Taiwan Corporate Sustainability Awards" held by Taiwan Academy of Corporate Sustainability with a gold award in the IT & IC manufacturing industry category.
May-18	E Ink formed strategic partnership with SES-imagotag, a French company
Aug-18	Advanced Color ePaper (ACeP) won the "Outstanding Technology Award" at the "2018 Gold Panel Awards" presented by Taiwan Display Union Association (TDUA).
Nov-18	E Ink's "2017 Corporate Social Responsibility" was recognized with three awards at the 2018 11th Annual Taiwan Corporate Sustainability Awards held by Taiwan Academy of Corporate Sustainability: "Top 50 Corporate Sustainability Award", "Corporate Sustainability Report Awards - Gold Award" and "Social Inclusion Award."
Nov-18	Due to sustainable development and outstanding performance, the US factory has joined The United Nations Global Compact (UNGC), the world's largest corporate sustainability advocacy organization.
May-19	E Ink Hardware TCON T1000 presented with COMPUTEX Best Choice Award by the Taipei Computer Association.
Jun-19	Yuanhan Materials was acquired by Yuen-Yu Investment Co., Ltd., an E Ink subsidiary, and name changed to Yuanhan Materials Inc.
Oct-19	Sipix was acquired by E Ink subsidiary Yuanhan Materials to streamline the organization of the E Ink Group and improve the operating efficiency of the subsidiary.
Oct-19	Presented with the 5th "Taiwan Mittelstad Award" by the Industrial Development Bureau, Ministry of Economic Affairs.

Nov-19	"Wireless Power ePaper Display" presented with Gold Award at the "Taiwan Excellence Awards" by the MOEA.
Nov-19	E Ink was recognized at the Taiwan Corporate Sustainability Awards hosted by the Taiwan Institute for Sustainable Energy for the third consecutive year by winning four awards: "Top 50 Corporate Sustainability Award," "Corporate sustainability Report Awards - IT & IC Manufacturing" (Gold award)," "Best Performance in a Specific Category - Social Inclusion Award," and "Best Performance in a Specific Category - Growth through Innovation Award."
Dec-19	E Ink Kaleido™ technology revealed by E Ink with sights set on the development of smart applications for color ePaper.
Nov-20	Advanced Color ePaper Display System (E Ink Gallery) is presented with the "Taiwan Excellence Gold Award" by the Ministry of Economic Affairs, R.O.C.
Nov-20	E Ink was recognized for the 4th year at the Taiwan Corporate Sustainability Awards organized by the Taiwan Institute for Sustainable Energy. TCSA Awards received in 2020 included "TCSA 2020 Corporate Sustainability Report Award – the Gold Award in Electronics Manufacturing Industry," "Taiwan Enterprise Sustainability Excellence Award," "Best Practice Award - Social Inclusion Award," and "Best Practice Award - Growth through Innovation Award."
Dec-20	E Ink Kaleido™ print color technology was included by Popular Science magazine in the US as one of "The 100 greatest innovations of 2020."
Dec-20	The E Ink MeeNote (Mobile Expandable ePaper Notebook) developed by E Ink was presented with the "Hsinchu Science Park Innovation Product Award."
Dec-20	Resolution passed by the Board of Directors to expand production lines for FPL at the Company's Hsinchu Plant.
Mar-21	Resolution passed by the Board of Directors to expand production lines for FPL at the Company's Hsinchu Plant.
Mar-21	E Ink Kaleido™ Plus, the latest generation of the print color technology, announced.
Apr-21	E Ink Spectra™ 3100 four-color e-paper technology (black, white, red and yellow) announced.
May-21	E Ink Corporation, a E Ink subsidiary, obtained share in Nuclera Nucleics Ltd. in exchange for investment of digital microfluidic technology.
Jun-21	The subsidiary Transced Optronics (Yangzhou) Co.,Ltd invested in the construction of factories and developed the upstream material related business of e-paper modules.
Jul-21	E Ink Spectra 3100™ SoC presented with "2021 Computex Best Choice Award - IC & Components."
Sep-21	Presented with Asia Responsible Enterprise Awards for Investment in People and Green Leadership by Enterprise Asia.
Sep-21	Recognized as one of the "Best Companies to Work for in Asia 2021" by HR Asia, the leading international human resources periodical.
Oct-21	E Ink Kaleido™ Plus color e-ink display module obtained Paper Like Display Quality-mark and China-mark certifications from TÜV Rheinland, the international testing and inspection body.
Oct-21	Signed as a TCFD Supporter to advocate for voluntary climate-related financial disclosures.
Nov-21	E Ink Kaleido™ Plus print color technology presented with 30th Taiwan Excellence Silver Award.
Nov-21	E Ink's ESG performance was recognized at the "Taiwan Corporate Sustainability Awards" for the 5th consecutive year. Awards received included "TCSA 2021 Corporate Sustainability Report Award", "Best Practice Award - Growth through Innovation Award", and "Corporate Sustainability Report Award - Gold Award in IT & IC Manufacturing."
Nov-21	Subsidiary E Ink Corporation expands production capacity of electronic ink materials.
Nov-21	Awarded the Best International Brand Potential Star in Taiwan in 2021 by the Industrial Bureau of the Ministry of Economic Affairs.
Dec-21	Battery-less e-paper smart credit card presented with Hsinchu Science Park Innovation Product Award.
Dec-21	Completed Taiwan Intellectual Property Management System (TIPS) certification to strengthen the protection and management of R&D patents.
Feb-22	Included in the MSCI Global Standard Indexes (Asia-Pacific/Taiwan).
Feb-22	The 2021 S&P Corporate Sustainability Assessment ranks among the top 10% of the global electronic equipment and components industry, and is listed in the 2022 Sustainability Yearbook.
Feb-22	E-paper has been certified by the International Dark Sky Association (IDA), the first display technology in the world to receive this certification.
Feb-22	Commitment to the "Science Based Targets Initiative" (SBTi) to set carbon reduction targets and net zero carbon emissions in the context of a global warming of 1.5°C.
Feb-22	Join the "RACE TO ZERO Campaign" initiated by the United Nations Framework Convention on Climate Change, advocating to achieve net zero carbon emissions by 2050. The company has committed to achieve net zero carbon emissions by 2040.
Mar-22	Announcement of E Ink Gallery™ Plus, the latest generation of the full color ePaper module.
Mar-22	Join the "Climate Pledge" (The Climate Pledge) initiative, committing to achieve net zero carbon emissions by 2040, the world's first to join this initiative.
Mar-22	Join the "RE100" global renewable energy initiative, committing to achieve 100% use of green electricity by 2050. EIH promises to use 100% green electricity by 2030, and is the first display manufacturer in the world to commit to 10% green electricity by 2022.

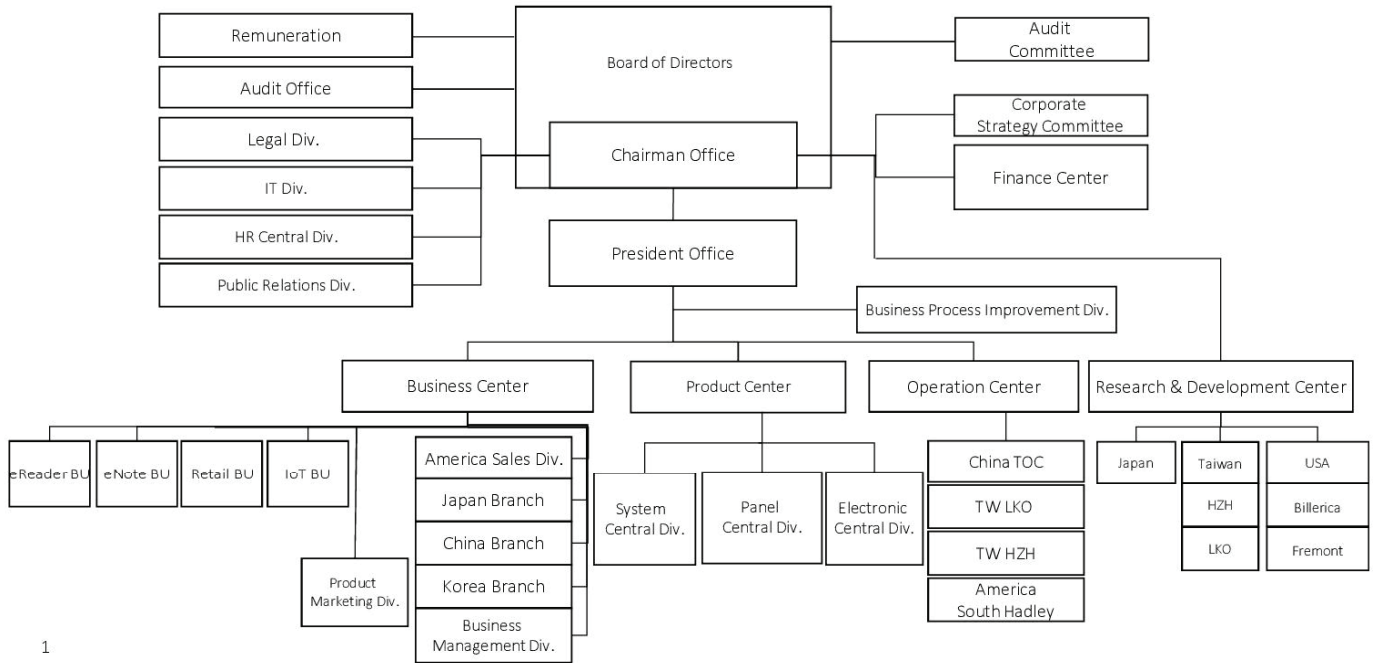
Apr-22	Announcement of the latest E Ink Kaleido™ 3 print color ePaper technology, E Ink Spectra™ 3100 Plus 5-color ePaper (black, white, red, yellow and orange) and E Ink Gallery™ 3 color ePaper technology.
Apr-22	E Ink Spectra™ 3100 four-color e-paper display won the Smart Retail Award at the Smart Display Application Awards.
Apr-22	Join the "Low Carbon Initiatives" initiative of the European Business Association in Taiwan.
Apr-22	Join the "TALENT, in Taiwan, Taiwan Talent Sustainability Action Enterprise" initiative, committing to talent sustainable action and maintaining sustainable competitiveness.
Apr-22	Bronze Medal in the 2022 ecovadis Sustainability Competition.
May-22	Dynamic and interlaced scan display chips combined with AI computing solutions won the 2022 Computex Best Choice Award - IC & Components category.
May-22	Selected by Financial Times and Nikkei Asia as 2022 Climate Leaders Asia-Pacific.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart

2022.04.01



3.1.2 Major Corporate Functions

- **Chairman's Office (includes the Business Strategy Committee, Legal Division, IT Division, HR Central Division, Public Relations and Marketing Division, President's Office, Research & Development Center, Finance Center, and subordinate units)**
Planning of the company's business strategy and targets, planning and execution of internal controls, overall planning and management of legal affairs and document control, planning and execution of human resource affairs, IT planning and introduction of new information technologies, building of the company's external image and media liaison, overall planning and execution of PR activities such as international exhibitions and product promotion events, oversee the direction of product R&D, design and application, master-planning of the company's finances, delegating the President to carry out Board resolutions, realizing the business targets set by the Board.
- **President's Office (includes the Business Center, Product Development Center, Operations Center and Business Process Improvement Division)**
Responsible for leading the coordination and operation of the company's Operations Center, Business Center, Product Development Center, Product Development Center, and subsidiaries in order to realize the Company's objectives and strategy. Lead the overall business development and decision-making of the Company, the implementation of policies and evaluations, and the development of operating rules.
- **Business Center (includes eReader BU, eNote BU, Retail BU, IoT BU, Product Marketing Division, and Business Management Division)**
In charge of global business management and strategic direction, oversees global product planning and strategic direction, coordinate with the product application engineering department to provide customers with an efficient product development timetable, shorten customer development times, formulate product road maps, achieve the company's sales targets, planning and building of eco-systems for new company products and markets.
- **Research Center (Taiwan, Japan, US,China)**
The R&D Center has five laboratories specializing in a different technology sector in Taiwan, Japan, the US, and China. It is mainly responsible for developing breakthroughs in technology, expanding the scope of application, and making continuous improvements to ePaper products. Most of the projects require experts from different fields at the five labs to work closely together to come up with an integrated solution. The scope of work includes types of ePaper, patent portfolio management, prototype panel design, new production technology, metrology, platform development and module production technology, as well as the introduction of key materials, parts and components. As the only manufacturer of high-value reflective displays for consumer and office equipment, we also developed touch control and front light solutions/designs to help customers make more extensive use of our unique technology.
- **Product Center (includes the General System Division, General Panel Division, and General Electronic Division)**
Responsible for technologies such as CE/IOT product development, IC development, panel development, driver waveform, touch control design, front light, module production process, and system development. It also assists BUs with preparing for mass production, solving customer problems, shortening the customer's design process, and helping Company products meet their mass production targets.
- **Operations Center (Taiwan, China, US)**
Integrated planning of global production sites, process integration and capacity expansion, maximizing synergies from the effective utilization of resources, overall planning and purchasing of raw materials, equipment and construction required by products; planning of raw material requirements, bond and logistics management; quality and reliability assurance of materials/products; management and execution of production plans; responsible for the planning and execution of product process analysis and production management during the production process.
- **Finance Center**
Responsible for the planning and execution of financial funds, accounting affairs and controls, sustainability management, and public relations.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

2022/4/24

Title	Nationality / Country of Origin	Name	Gender Age	Date Elected	Term (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	ROC	Aidatek Electronics Inc.	N/A	109.06.18	3	103.06.18	100,000	0.01%	240,000	0.02%	0	0.00%	0	0.00%	N/A	None	None	None	
Director	ROC	Johnson Lee, Representative of Aidatek Electronics Inc.	M 41~50 years old	109.06.18	3	97.06.13	623,040	0.05%	823,040	0.07%	14,557,000	1.28%	651,000	0.06%	Tufts University Department of Economics & Electrical Engineering double major bachelor degree	Chairman, E Ink Holdings Inc. Chairman / Director , Affiliated Parties of EIH Chairman, ICM Communications Inc. Director,Shin Lung Natural Gas Co. Director,Foongtone technology Director,Yilong Gas Co., Ltd. Observer, SES Imagotag SA Observer, SigmaSense LLC	Director	S.C. Ho	Son in law
Director	ROC	S.C. Ho, Representative of Aidatek Electronics Inc.	Over 70 years old	109.06.18	3	91.06.20	80,434,300	7.05%	80,434,300	7.05%	0	0.00%	0	0.00%	Master of Mechanical Engineering, University of Wisconsin - Madison	Director, E Ink Holdings Inc. Director, E Ink Corporation Director, YFY Jupiter (BVI), Inc. Director, Chung Hwa Pulp Corp. Director, TaiGen Biotechnology Co., Ltd. Director, TaiGen Biopharmaceuticals Holdings Limited Director, San Ying Enterprise Co., Ltd. Director, China Color Printing Co., Ltd. Director, Effion Enertech Co., Ltd. Director, Yuen Foong Yu Biotech Co., Ltd. Director, Shen's Art Printing Co., Ltd. Director, Sustainable Carbonhydrate Innovation Co., Ltd Director, YFY Biotech Management Company Managing Director, China Investment and Development Co., Ltd. Director, YFY Packaging (Yangzhou) Investment Co., Ltd. 167.Director, Yuen Foong International (Samoa) Ltd. Director, YFY Japan Co., Ltd. Director, Artone Investment (H.K.) Ltd.	Director	Felix Ho	Father
																Director	Johnso n Lee	Father in law	

Title	Nationality / Country of Origin	Name	Gender Age	Date Elected	Term (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
																Director, Artone Specialties Company Limited			
																Director, Hsinex International Corp.			
																Director, Taitung Enterprise Corp.			
																Director, Shin-Yi Enterprise Co., Ltd.			
																Chairman, Shin-Yi Investment Co., Ltd.			
																Director, Shin-Yi Recreation Co., Ltd.			
																Director, Ru Yi Enterprise Co., Ltd.			
																Director, Xing Yuan Investment Co., Ltd.			
																Director, Yuen Foong Co., Ltd.			
																Chairman, Yuen Foong Paper Co., Ltd.			
																Chairman, Yuen Shin Yi Enterprise Co., Ltd.			
																Director, Yong-An Leasing Co., Ltd.			
																Director, Y F Chemical Corp.			
																Director, SinoCell Technologies Co., Ltd.			
																Chairman, Fu Hwa Enterprise Co., Ltd.			
																Director, HuaDong Industrial Co., Ltd.			
																Director, Synmax Biochemical Co., Ltd.			
																Director, Hsin Yi Holding Company			
																Director, Hsin Yi Foundation			
																Director, Shang Shan Human Culture Foundation			
																Director, Liver Disease Prevention & Treatment Research Foundation			
																Director, Yuan T. Lee Foundation Science Education for All			
																Director, Foundation for the Advancement of Outstanding Scholarship			
Director	ROC	Felix Ho, Representative of Aidatek Electronics Inc.	M 41~50 years old	109.06.18	3	91.06.20	10,095,435	0.89%	10,095,435	0.89%	0	0.00%	0	0.00%	Master of Financial Management, Massachusetts Institute of Technology, Sloan College	Director, E Ink Holdings Inc.	Director	S.C. Ho	Son
																Director, Jupiter Prestige Group Holding Limited			
																Chairman, YFY Jupiter(BVI)Inc.			
																Director, YFY Biopulp Technology Ltd.			
																Director, YFY RFID Co., Ltd.			
																Director, Chung Hwa Pulp Corp.			
																Chairman, YFY Consumer Products Co., Ltd.			
																Chairman, Yuen Foong Yu Investment Co., Ltd.			
																Chairman, Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.			
																Chairman, Yuen Foong Yu Family Care (Kunshan) Co., Ltd.			
																Chairman, Ever Growing Agriculture Bio-tech Co., Ltd.			
																Chairman, Yuen Foong Shop Co., Ltd.			

Title	Nationality / Country of Origin	Name	Gender Age	Date Elected	Term (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
															Director, YFY Consumer Products, Co.				
															Director, Livebricks Inc.;				
															Director, Yuen Foong Yu Consumer Products Investment Ltd.				
															Director, eCrowd Media Inc.				
															Chairman, Arizon RFID Technology Co., Ltd.				
															Director, Arizon Japan Co., Ltd.				
															Director, Arizon RFID Technology (Cayman) Co., Ltd.				
															Director, YFY Japan Co., Ltd.				
															Director, Yuen Foong International (Samoa) Ltd.				
															Director, Artone Investment (H.K.) Ltd.				
															Director, Shin-Yi Enterprise Co., Ltd.				
															Director, Yuen Foong Paper Co., Ltd.				
															Chairman, Yuen Foong Co., Ltd.				
															Director, Fu Hwa Enterprise Co., Ltd.				
															Director, Cheng Yu Co., Ltd.				
															Director, Aidatek Electronics, Inc.				
															Independent Director, Universal Cement Corporation				
															Supervisor, The Eisenhower Fellows Association in the Republic of China				
															Chairman, Epoch Foundation				
															Director, Monte Jade Taiwan Science & Tech Association				
															Chairman, Association of Corporate Patent Executives				
Director	ROC	Shin-Yi Enterprise Co., Ltd.	N/A	109.06.18	3	109.06.18	32,842,345	2.88%	32,842,345	2.88%	0	0.00%	0	0.00%	N/A	None	None	None	
Director	ROC	FY Gan, Representative of Shin-Yi Enterprise Co., Ltd.	M 51~60 years old	109.06.18	3	106.06.20	880,000	0.08%	580,000	0.05%	500,000	0.04%	0	0.00%	PhD, Institute of Electrical Engineering, McGill University, Canada	General manager, E Ink Holdings Inc.	None	None	
															Director / General manager, Affiliated Parties of EIH				
															Director, PLASTIC LOGIC HK LIMITED				
															Independent director, PlayNitride Display Co., Ltd				
Director	ROC	CC Tsai, Representative of Shin-Yi Enterprise Co., Ltd.	F over 70 years old	109.06.18	3	97.06.13	233,788	0.02%	333,788	0.03%	0	0.00%	0	0.00%	National Chiao Tung University Department of Photonics Institute of EO Engineering Professor, Quanta	Director, E Ink Holdings Inc.	None	None	

Title	Nationality / Country of Origin	Name	Gender Age	Date Elected	Term (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
														Display Inc. Senior Vice President/University of Chicago Department of Physics PhD degree					
Director	ROC	Luke Chen, Representative of Shin-Yi Enterprise Co., Ltd.	M 51~60 years old	109.06.18	3	108.09.09	336,000	0.03%	436,000	0.04%	3,200	0.00%	0	0.00%	Master of Electrical Engineering and Master of Industrial Engineering, New Mexico State University, USA	Executive Vice President, E Ink Holdings Inc. Director / General manager , Affiliated Parties of EIH Director, Arizon RFID Technology Co., Ltd	None	None	None
Independent director	ROC	Po-Young Chu	M 61~70 years old	109.06.18	3	108.06.18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD, Purdue University/ Professor, Department of Management Science, National Chiao Tung University	Independent director, Pharmadax Inc. Independent director, TSTI Independent director, Eastern International Ad. Director, Union Winner International Co., Ltd.	None	None	None
Independent director	ROC	Donald Chang	M 61~70 years old	109.06.18	3	109.06.18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor of Chemical Engineering, Chinese Culture University	Independent director, CHUNG HWA PULP CORP. Director, Advantech Co., Ltd.	None	None	None
Independent director	ROC	Shi-Chern Yen	M 61~70 years old	109.06.18	3	109.06.18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD in Chemical Engineering, University of Wisconsin	Independent director, TAIFLEX Scientific Co., Ltd. Independent director, Eastern International Ad. Independent director, Subtron Technology Co., Ltd	None	None	None

3.2.2 Professional qualifications and independence analysis of directors and supervisors

1. Directors'/supervisors' expertise and independent directors' independence:

December 31, 2021

Name	Criteria	Professional qualification and experience (Note 1)	Independence criteria (Note 2)	Number of positions as independent director in other public companies
Aidatek Electronics, Inc. Representative: Johnson Lee		Work experience in commerce, law, finance and banking, accounting or necessary for company operation.		0
Aidatek Electronics, Inc. Representative: S.C. Ho		Work experience in commerce, law, finance and banking, accounting or necessary for company operation.		0
Aidatek Electronics, Inc. Representative: Felix Ho		Work experience in commerce, law, finance and banking, accounting or necessary for company operation.		0
Hsin Yi Enterprise Co., Ltd. Representative: FY Gan		Work experience in commerce, law, finance and banking, accounting or necessary for company operation.		0
Hsin Yi Enterprise Co., Ltd. Representative: Luke Chen		Work experience in commerce, law, finance and banking, accounting or necessary for company operation.		0
Hsin Yi Enterprise Co., Ltd. Representative: Chuan-Chuan Tsai		Work experience in commerce, law, finance and banking, accounting or necessary for company operation.		0
Independent Director Po-Young Chu		Experience as lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution	(1) Having satisfied the independence criteria mentioned in Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. (2) A statement of conformity with professional eligibility, independence, and concurrent duties for independent director was signed at the time elected.	3
Independent Director Donald Chang		Work experience in commerce, law, finance and banking, accounting or necessary for company operation.	(1) Having satisfied the independence criteria mentioned in Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. (2) A statement of conformity with professional eligibility, independence, and concurrent duties for independent director was signed at the time elected.	1
Independent Director Hsi-Cheng Yen		Experience as lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution	(1) Having satisfied the independence criteria mentioned in Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. (2) A statement of conformity with professional eligibility, independence, and concurrent duties for independent director was signed at the time elected.	3

Note 1: Please refer to Section 3.2.1 for directors' academic backgrounds and career experiences. None of the Company's directors exhibited any of the conditions described in Article 30 of The Company Act.

Note 2: For independent directors, describe compliance with the independence criteria, including but not limited to: whether they themselves or spouse or 2nd-degree relatives or closer serve as director, supervisor, or employee at the Company or any of its affiliated enterprises; the number and percentage of shareholding in the Company by self, spouse, 2nd-degree relative or closer (or proxy holder); whether they assume position as director, supervisor, or employee in any entity that the Company has special relationship with (see Subparagraphs 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and amount of compensation received from the Company or affiliated enterprises thereof in the last 2 years for commercial, legal, financial, or accounting services rendered.

2. Diversity and independence of the board of directors:

(1) Board diversity: describe diversity policy and goals for the board of directors, and the enforcement progress. Diversity policy may include but is not limited to the director selection criteria, the level of professional quality and experience the board shall possess as a whole, and gender/age/nationality/culture distribution. Please also explain the Company's goals and progress with respect to the above policy.

i. Diversity policy

The Company has a board diversity policy in place. According to the "Corporate Governance Code of Conduct," board members shall be diversified in a manner that supports the material research and development, Company's operations, sales, management type and development needs, provided that the number of directors who concurrently hold managerial positions do not exceed one-third of the board. The diversification policy shall include, but is not limited to, the following two principles:

Background and value	Gender, age, nationality, culture etc.
Knowledge and skills:	Career background (e.g. law, accounting, industry, finance, marketing, or technology), professional skill, and industry experience.

ii. Composition, percentage, and term of service of board members have conformed with the diversity policy and goals:

	Director seats	Independent Director	Directors holding concurrent managerial positions in the Company	Female directors
Total seats	9 seats	3	3 seats	1 seat
As a percentage of total director seats		33%	33%	11%
Distinctive characteristics	1. Strong background and value. 2. Extensive experience and professional expertise in relevant fields.			
Consecutive terms served by independent directors	None of the independent directors had served more than 3 terms consecutively.			
Average term of service across all directors	7.5 years.			

iii. Implementation of board diversity policy

Name	Title	Nationality	Gender	Concurrent managerial position held within the Company	Age or range				Knowledge and skills (Note)	
					40 - 50	50 - 60	60 - 70	70 and above	Industry or technology	Finance/law/commerce
Johnson Lee	Chairman	R.O.C	Male	V	V				V	V
S.C. Ho	Directors	R.O.C	Male				V		V	V
Felix Ho	Directors	R.O.C	Male		V				V	V
FY Gan	Directors	R.O.C	Male	V		V			V	
Luke Chen	Directors	R.O.C	Male	V		V			V	
Chuan-Chuan Tsai	Directors	R.O.C	Female				V		V	
Po-Young Chu	Independent Director	R.O.C	Male				V		V	V
Donald Chang	Independent Director	R.O.C	Male				V		V	V
Hsi-Cheng Yen	Independent Director	R.O.C	Male				V		V	

Note 1: Please refer to Section 3.2.1 for directors' academic backgrounds and career experiences.

iv. Board of Directors Diversity and Background

Director Chuan-Chuan Tsai	A pioneer of Taiwan's display industry that had been a senior vice president of Quanta Display Inc., and held R&D and executive management roles at a leading US tech company; she was a professor with the Department of Photonics and Display Technology Research Institute at National Chiao Tung University. She has both business administration and R&D backgrounds.
Independent Director Po-Young Chu	He had been a professor with the Department of Management Science, College of Management, at National Chiao Tung University. In addition to teaching the EMBA

	strategy course on a regular basis, he also conducts training for many well-known enterprises and organizations. He was named one of Taiwan's top 10 EMBA teachers for five consecutive years according to a Cheers magazine survey and is an expert in business strategy.
Independent Director Donald Chang	He previously worked at 3M and served as the regional 3M director and general manager in different countries. He was later promoted to regional operations and served as the Vice President of Southeast Asia, and President of Greater China. He is a member of the 3M Global Executive Committee so his expertise includes transnational business management.
Independent Director Hsi-Cheng Yen	He had been a professor with the Department of Chemical Engineering at National Taiwan University as well as Deputy Director of Green Energy Labs, Industrial Technology Research Institute. In addition to teaching electrochemical techniques, display technologies, energy engineering, and thermodynamics, Yen also carries out research into lithium battery energy storage materials. He is an expert in materials research as well as energy and carbon integration processes.

(2) Board independence: provide explanations on the number and percentage of independent directors, board performance, and whether the board exhibits any of the conditions described in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act with reasons; please also highlight any relationship characterized as spouse or 2nd-degree relative or closer among directors, among supervisors, and between directors and supervisors.

The Company's 11th board of directors comprises 9 directors, of which 3 (33%) are independent directors. All independent directors have signed a statement of conformity with professional eligibility, independence, and concurrent duties when elected on June 18, 2020. The board of directors and all its members have met the independence criteria stipulated by laws, and posed no violation against Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act. Please refer to Section 3.2.1 - Directors' background for detailed explanation of relationships among directors.

3.2.3 Major shareholders of the institutional shareholders

2021.12.31

Name of Institutional Shareholders	Major Shareholders	%
Shin-Yi Enterprise Co., Ltd.	S.C. Ho	27.84%
	Jucheng Investment & Management Co., Ltd.	12.50%
	BRILLIANT PRIDE LIMITED	12.50%
	Gao Da Global Ltd.	12.50%
	Mei Yu Ho	12.50%
	Guang Yu Investment Co., Ltd.	5.91%
	Tsai Hui Shin Ho	2.48%
	Richard Ho	2.18%
	Jin Jie Investment Co., Ltd.	1.52%
	Hoss Foundation	1.48%
Aidatek Electronics, Inc.	Hsinex International Corporation	47.39%
	S.C. Ho	41.27%
	Felix Ho	7.46%
	Johnson Lee	3.58%
	Pao Yu Hsieh	0.30%

Major shareholders of the Company's major institutional shareholders

Name of Institutional Shareholders	Major Shareholders	%
Jucheng Investment & Management Co., Ltd.	Rainbow Time Ltd. (Samoa)	100.00%
BRILLIANT PRIDE LIMITED	LEE SWEE HIONG	100.00%
Gao Da Global Ltd.	Jin-Xing Lin	100.00%
Guang Yu Investment Co., Ltd.	Tsai Hui Shin Ho	57.49%
	Jie-Ru Ho	7.50%
	Wen-Hua Ho	7.50%
	Yi-Jin Huang	6.25%
	Yi-Xuan Huang	6.25%
	Jie-Xi Liu	3.75%
	Jie-Ya Liu	3.75%
	Jie-Xiu Ka	3.75%
	Jie-Ke Ka	3.75%
	Richard Ho	0.01%
Jin Jie Investment Co., Ltd.	Guang Yu Investment Co., Ltd.	100.00%
Hoss Foundation	Founded in 2001 with Hui-Mei Chen as the main donor at the time of founding	100.00%
Hsinex International Corporation	S.C. Ho	53.13%
	Yi Chia Ho	24.48%
	Felix Ho	22.28%
	Cheng Yu Co., Ltd.	0.11%

3.2.4 Management Team

2022/4/24

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	ROC	FY Gan	M	2017.06.20	580,000	0.05%	500,000	0.04%	0	0.00%	AU Optronics Corporation Associate Vice President /McGill University Department of Electrical Engineering PhD degree	Director / President, Affiliated Parties of EIH Director, PLASTIC LOGIC HK LIMITED Independent director,PlayNitride Display Co., Ltd	None	None	None	None
Scientific Advisor	ROC	CC Tsai	F	2014.08.01	333,788	0.03%	0	0.00%	0	0.00%	National Chiao Tung University Department of Photonics Institute of EO Engineering Professor/Xerox Palo Alto Research Center researcher/AKT Senior Director/Quanta Display Inc. Senior Vice President /University of Chicago Department of Physics PhD degree	Director, E Ink Holdings Inc.	None	None	None	None
Operation Center Executive Vice President	ROC	Luke Chen	M	2010.10.01	436,000	0.04%	3,200	0.00%	0	0.00%	Ningbo Chihsin Optoelectronics Corporation Executive Vice President / Chi Mei Optoelectronics Corporation Deputy Manager of LCM Engineering Office / Quanta Display Inc. Director of LCM Engineering Office /Topsun Optronics, Inc. Executive Vice President /PENN STATE U. of PhD in Electrical Engineering	Director / President, Affiliated Parties of EIH Director, Arizon RFID Technology Co., Ltd.	None	None	None	None
Chief Finance Officer	ROC	Lloyd Chen	M	2018.04.23	106,950	0.01%	0	0.00%	0	0.00%	TPV Technology Co., Ltd./AVP Global Display Solutions Asia/CFO Lite-On Technology Co., Ltd. / Assistant Manager/Deloitte & Touche Accounting Firm / In-charge manager/CUNY : Macquarie Uni, Sydney	CFO, Affiliated Parties of EIH Director, Affiliated Parties of EIH	None	None	None	None
Advanced Technology Research Central Div. Senior Vice President	ROC	YS Chang	M	1996.02.01	225,000	0.02%	0	0.00%	0	0.00%	Industrial Technology Research Institute Electronic and Optoelectronic System Research Laboratories /National Chiao Tung University Department of Photonics Institute of EO Engineering master degree	None	None	None	None	None
Chief Technology Officer (Taiwan)	British Subject	Ian Douglas French	M	2012.03.01	81,000	0.01%	0	0.00%	0	0.00%	Philips Principal Research/GEC Senior Research Scientist/Dundee University Research Assistant/GEC Research Scientist/Dundee Physics and Technology of amorphous silicon Master's degree	None	None	None	None	None
Vice President	ROC	Tung-Liang Lin	M	1995.05.25	10,983	0.00%	0	0.00%	0	0.00%	Industrial Technology Research Institute Electronic and Optoelectronic System Research Laboratories /National Chiao Tung University Department of Electrical Engineering, master degree	None	None	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
eNote BU Associate Vice President	ROC	Jim Chang	M	2018.09.06	234,000	0.02%	200,000	0.02%	0	0.00%	AU Optronics Corporation Marketing Director /PICVUE ELECTRONICS, LTD. product engineer /National Tsing Hua University Institute of Nuclear Science master degree	Director, Affiliated Parties of EIH	None	None	None	None
FPL MFG Central Div. Vice President	ROC	Mano Lo	M	2013.12.09	261,000	0.02%	16,000	0.00%	0	0.00%	Optimax Technology Corporation Executive Vice President/Achem Opto-Electronic Corporation, Americas, Executive Vice President /PlexBio Co.,Ltd. President/ RITEK Corp. Media Manufacturing Business Group Assistant manager/AT&T Corporation Senior Manager/National Chiao Tung University Department of Technology Management, Master degree	Director / Supervisor, Affiliated Parties of EIH	None	None	None	None
LKO R&D Central Div. Associate Vice President	ROC	Jason Jan	M	2020.07.01	46,000	0.00%	0	0.00%	0	0.00%	RITEK Corporation R&D Specialist/ PhD, Institute of Chemistry, National Tsing Hua University	None	None	None	None	
Product Development Center Associate Vice President	ROC	JM Hung	M	2018.09.06	351,000	0.03%	12,000	0.00%	0	0.00%	AU Optronics Corporation Manager / National Chiao Tung University Institute of Electrical and Control Engineering Master degree	Director, Affiliated Parties of EIH	None	None	None	None
IoT BU Associate Vice President	ROC	Max Chen	M	2013.02.01	280,000	0.02%	0	0.00%	0	0.00%	AU Optronics Corporation Factory Director/ PICVUE ELECTRONICS, LTD. Manufacture engineer / National Cheng Kung University Institute of Chemistry, Master degree	None	None	None	None	
FPL MFG Central Div. Associate Vice President	ROC	Peter Peng	M	2021.07.21	96,000	0.01%	0	0.00%	0	0.00%	AUO Manager /Assistant Manager of AUO/ AUO Integration Engineer / Yuantai Optoelectronics Process Engineer / Master, Institute of Polymer Science, Feng Chia University	None	None	None	None	
Finance Center Accounting Director	ROC	Jimmy Lee	M	2021.08.20	1,000	0.00%	0	0.00%	0	0.00%	Auditor of Wen Qing Accounting Firm / Semi-Senior, Audit Department of Capital Accounting Firm /Senior Accounting Manager of Accounting Office of Taiwan Semiconductor Manufacturing Co., Ltd. /Master of Finance, National Chiao Tung University	None	None	None	None	
Corporate Governance Officer	ROC	June Su	F	2017.09.11	52,000	0.00%	0	0.00%	0	0.00%	YangMing Partners law firm Associate/TSAR & TSAI LAW FIRM Counsel/Air Liquide Far Eastern Assistant Vice President of Legal/Georgetown University Law Center LL.M. Master	None	None	None	None	

Note 1: It should include information on the general manager, deputy general manager, assistant manager, heads of various departments and branches, as well as those whose positions are equivalent to general manager, deputy general manager or assistant manager, regardless of the title, should also be disclosed.

Note 2: This date is the date of promotion to the management level.

Note 3: The experience related to the current position, if you have worked in the audit and visa accounting firm or related companies during the previous disclosure period, the title and responsible position should be stated.

Note 4: When the general manager or equivalent (top manager) and the chairman are the same person, spouse or first-degree relative, the reasons, rationality, necessity and countermeasures should be disclosed (such as increasing the number of independent directors, And there should be more than half of the directors do not serve as employees or managers, etc.) related information): no such situation.

Note 5: CC Tsai has resigned from the post of chief technical officer on 2021.01.31 and was appointed as the scientific consultant of the company.

Note 6: YS Chang was promoted to senior deputy general manager on 2021.02.01; Tung-Liang Lin was transferred to deputy general manager of the general manager's office on 2021.04.01; JM Hung and Mano Lo were promoted to deputy general managers in view of 2021.07.01; Ian Douglas French was promoted on 2021.02. 01 Promoted to Chief Technology Officer of R&D Center (Taiwan).

Note 7: Jimmy Lee temporarily acted as the accounting supervisor on 2021.08.20.

3.2.5 Remuneration of Directors, Supervisors, President, and Vice President

(1) Remuneration of Directors

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total and Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total and Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The company	Companies in the consolidated financial statements	
Director	Johnson Lee, Representative of Aidatek Electronics Inc.	0	0	0	0	17,500	17,500	720	720	18,220 0.35%	18,220 0.35%	98,580	98,580	324	324	1,470	0	1,470	0	118,595 2.30%	118,595 2.30%	708
	S.C. Ho, Representative of Aidatek Electronics Inc.																					
	Felix Ho, Representative of Aidatek Electronics Inc.																					
	FY Gan, Representative of Shin-Yi Enterprise Co., Ltd.																					
	CC Tsai, Representative of Shin-Yi Enterprise Co., Ltd.																					
Independent director	Luke Chen, Representative of Shin-Yi Enterprise Co., Ltd.	0	0	0	0	7,500	7,500	360	360	7,860 0.15%	7,860 0.15%	0	0	0	0	0	0	0	0	7,860 0.15%	7,860 0.15%	0
	Po-Young Chu																					
	Donald Chang																					
	Hsi-Cheng Yen																					

Note1: Expenses related to car rentals have been added, with an amount of approximately NTD 2,254,000; driver-related remunerations have been added, with an amount of approximately NTD 1,675,000.

Note2: The amount of bonus to directors is NTD25,000 thousand, the profit sharing- employee bonus is NTD53,800 thousand on 2021.

The bonus has been approved in board of directors on 2022.03.11 and it will be offered after approve in shareholders meeting.

Range of Remuneration

Range of Remuneration (NT\$)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	The company and all reinvestment businesses
Under 1,000,000				
1,000,001 ~ 2,000,000				
2,000,001 ~ 3,500,000	S.C. Ho 、 Felix Ho 、 Luke Chen 、 CC Tsai 、 FY Gan 、 Po-Young Chu 、 Donald Chang 、 Hsi-Cheng Yen	S.C. Ho 、 Felix Ho 、 Luke Chen 、 CC Tsai 、 FY Gan 、 Po-Young Chu 、 Donald Chang 、 Hsi-Cheng Yen	S.C. Ho 、 Felix Ho 、 Po-Young Chu 、 Donald Chang 、 Hsi-Cheng Yen	S.C. Ho 、 Felix Ho 、 Po-Young Chu 、 Donald Chang 、 Hsi-Cheng Yen
3,500,001 ~ 5,000,000				
5,000,001 ~ 10,000,000	Johnson Lee 、 Shin-Yi Enterprise Co., Ltd.	Johnson Lee 、 Shin-Yi Enterprise Co., Ltd.	CC Tsai	CC Tsai
10,000,001 ~ 15,000,000	Aidatek Electronics, Inc.	Aidatek Electronics, Inc.	Luke Chen	Luke Chen
15,000,001 ~ 30,000,000			FY Gan	FY Gan
30,000,001 ~ 50,000,000			Johnson Lee 、 Shin-Yi Enterprise Co., Ltd.	Johnson Lee 、 Shin-Yi Enterprise Co., Ltd.
50,000,001 ~ 100,000,000			Aidatek Electronics, Inc.	Aidatek Electronics, Inc.
Over 100,000,001				
Total	11	11	11	11

(2) Remuneration of the President and Vice President

Unit: NT\$ thousand

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income and percentage (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman	Johnson Lee	57,366	57,366	1,080	1,080	103,091	103,091	2,986	-	2,986	-	162,347 3.21%	162,347 3.21%	708
President	FY Gan													
Chief Technology Officer	CC Tsai													
Executive Vice President	Luke Chen													

Chief Finance Officer	Lloyd Chen														
Vice President	YS Chang														
Vice President	Tung Liang Lin														
Vice President	Ian Douglas French														
Vice President	JM Hung														
Vice President	Mano Chen														

Note 1:CC Tsai has resigned from the post of chief technical officer on 2021.01.31 and was appointed as the scientific consultant of the company.

Note 2:JM Hung and Mano Lo were promoted to deputy general managers in view of 2021.07.01; Ian Douglas French was promoted on 2021.02. 01 Promoted to Chief Technology Officer of R&D Center (Taiwan).

Note 3:Expenses related to car rentals have been added, with an amount of approximately NTD 2,254,000; driver-related remunerations have been added, with an amount of approximately NTD 1,675,000.

Note 4:The amount of bonus to directors is NTD25,000 thousand , the profit sharing- employee bonus is NTD53,800 thousand on 2021.

The bonus has been approved in board of directors on 2022.03.11 and it will be offered after approve in shareholders meeting .

Range of Remuneration

Range of Remuneration (NT\$)	Name of Supervisors	
	The company	Companies in the consolidated financial statements
Under 1,000,000		
1,000,001 ~ 2,000,000		
2,000,001 ~ 3,500,000		
3,500,001 ~ 5,000,000		
5,000,001 ~ 10,000,000	YS Chang 、Tung Liang Lin 、Lloyd Chen	YS Chang 、Tung Liang Lin 、Lloyd Chen
10,000,001 ~ 15,000,000	Ian Douglas French 、CC Tsai 、JM Hung 、Mano Chen	Ian Douglas French 、CC Tsai 、JM Hung 、Mano Chen
15,000,001 ~ 30,000,000	Luke Chen	Luke Chen
30,000,001 ~ 50,000,000	Johnson Lee 、FY Gan	Johnson Lee 、FY Gan
50,000,001 ~ 100,000,000		
Over 100,000,001		
Total	10	10

(3) Employee compensation amount paid to managers

Unit: NT\$ thousands

Title	Name	Employee Bonus in Stock (Fair Market Value)	Employee Bonus in Cash	Total	Ratio of Total Amount to Net Income (%)
Chairman	Johnson Lee	-	4,189	4,189	0.08%
President	FY Gan				
Chief Technology Officer	CC Tsai				
Executive Vice President	Luke Chen				
Vice President	YS Chang				
Vice President	Tung Liang Lin				
Vice President	Ian Douglas French				
Associate Vice President	Max Chen				
Associate Vice President	Mano Lo				
Associate Vice President	JM Hung				
Associate Vice President	Jim Chang				
Associate Vice President	Jason Jan				
Chief Finance Officer	Lloyd Chen				
Accounting Director	Jimmy Lee				
Corporate Governance Officer	June Su				

Note1: They are the incumbent manager of the company at the end of 2021.

Note2: The profit sharing- employee bonus is NT\$53,800 thousand on 2021. The bonus has been approved in board of directors on 2022.03.11 and it will be offered after approve in shareholders meeting.

Note3: CC Tsai has resigned from the post of chief technical officer on 2021.01.31 and was appointed as the scientific consultant of the company.

3.2.6 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

- (1) The analysis of the remunerations to the Directors, Supervisors, President, and Vice Presidents from the Company and all companies included in the consolidated financial statements in proportion to the net income presented in the separate financial statements in the last 2 years:

Targets of payment	The proportion of total amount of payment to net income			
	2021		2020	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Directors	2.30%	2.30%	2.38%	2.38%
Independent Directors	0.15%	0.15%	0.18%	0.18%
President and Vice Presidents	3.21%	3.21%	2.47%	2.47%

- (1) The policy, standard, and components of the remuneration of the Company, the association between the procedure for determination of the remuneration, and operation performance and the risk in the future:

If the Company gains profits in the year, it shall set aside at least 1% of the profits as the remuneration for employees and set aside not more than 1% of the profits as the remuneration for directors. However, if the Company has accumulated loss, certain amount to offset such loss shall be set aside in advance.

Remuneration to the Directors shall be made in cash. Remuneration to employees may be made in cash or stock. The employees of subsidiaries meeting specific condition are entitled to the remuneration. Such condition shall be determined by the Board under authorization. The ratio of remuneration to the Directors, the ratio of remunerations to employees and method of payment shall be determined by the Board in a session with the presence of at least two-thirds of the Directors and a simple majority of the Directors in session, and report to the Shareholders Meeting.

Remunerations to employees and the Directors shall be calculated on the basis of the earnings of the current year (the balance of earnings before taxation and before the deduction of remunerations to employees and Directors) net of accumulated deficit.

The remuneration to the President and the Vice Presidents of the Company covers salary, bonus, employee bonus, and incentives for keeping good people. The Remuneration Committee will consider the position held, the scope of authority and responsibility, and the contribution to the business objective of the

Company with reference to the operation performance of the year, the risk in the future, and the industry level of the same position, and present to the Board for final approval.

Bonuses are mainly linked to managers' performance evaluation items, including financial indicators (such as company revenue, pre-tax net profit achievement rate) and corporate ESG sustainable management indicators (such as climate change response, low energy consumption and low carbon emission technologies) and product development). Taking the 110-year employee stock subscription method as an example, the manager's assessment of the number of employee incentive stock options is linked to new products, new technologies and new processes of energy-saving electronic paper products by weight percentage. Taking this a step further, the green revenue generated by energy-saving new products (using FTSE Russell's green revenue data model to analyze the ratio of revenue from providing environmentally friendly products with more energy efficiency) and operating benefits are also linked to the weighted percentage. The evaluation and measurement indicators of the number of shares subscribed for incentives by the management team are sent to the board of directors for resolution. In 2022 and in the future, in addition to the current financial and sustainability systems and indicators mentioned above, it will be further extended to strengthen the performance evaluation of managers and management teams to increase the proportion of sustainable design and green manufacturing.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

(1) A total of 7 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in person (B)	Proxy attendance	Percentage of in-person attendance (%) [B/A] (Note)	Remarks
Directors	Aidatek Electronics, Inc. Representative: Johnson Lee	7	0	100%	
Directors	Aidatek Electronics, Inc. Representative: S.C. Ho	7	0	100%	
Directors	Aidatek Electronics, Inc. Representative: Felix Ho	7	0	100%	
Directors	Hsin Yi Enterprise Co., Ltd. Representative: FY Gan	7	0	100%	
Directors	Hsin Yi Enterprise Co., Ltd. Representative: Luke Chen	7	0	100%	
Directors	Hsin Yi Enterprise Co., Ltd. Representative: Chuan-Chuan Tsai	7	0	100%	
Independent Director	Po-Young Chu	7	0	100%	
Independent Director	Hsi-Cheng Yen	7	0	100%	
Independent Director	Donald Chang	7	0	100%	

Other mandatory disclosures:

I. For the board of directors meetings that meet any of the following descriptions, state the date, session, the discussed topics, independent directors' opinions and how the Company has responded to such opinions.
(I) Conditions described in Article 14-3 of the Securities and Exchange Act.

Date of board meeting	Session	Motion	Opposing opinions from independent directors	Company's response to independent directors' opposing opinions
Mar. 16, 2021	5th meeting of the 11th board	<ol style="list-style-type: none"> Report on the regular evaluation of financial statement auditor's independence and competence Presentation of the Company's 2020 business report and financial statements Presentation of the Company's 2021 Q1 business performance Report on derivative transactions undertaken by the Company in 2020 and January 2021 Report on external party lending, endorsement, and guarantee transactions undertaken by the Company and subsidiaries up until January 31, 2021 Report on the Company's audit plan execution between October and 	nil.	-

		<p>December 2020</p> <ol style="list-style-type: none"> 7. Report on the third time of buyback of the Company's shares and the transfer of shares to employees 8. Report on the outcome of 2020 performance evaluation for the Company's board of directors, directors, and functional committees 9. Report on the disposal of DMF project by the Company's subsidiary - E Ink Corporation (EIC) 10. Presentation of the Company's 2020 year-end accounts 11. Proposal of the Company's 2020 earnings appropriation 12. Proposal to allocate employee and director remuneration from 2020 profits, and to determine details including the payment method and eligible payees 13. Presentation of the Company's 2020 "Declaration of Internal Control System" 14. Proposal to expand production lines H3 and H4 for FPL at the Company's Hsinchu Plant 15. Proposal to apply for credit limits with banking partners 16. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 17. Proposal for partial amendments to the Company's Articles of Incorporation 18. Proposal for partial amendments to the Company's "Shareholders Conference Rules." 19. Proposal for partial amendments to the Company's Procedures of Acquisition or Disposal of Asset 20. Proposal for amendments to the Company's "accounting policy." 21. Discussion for the time, venue, and agenda of the Company's 2021 annual general meeting 		
May 7, 2021	6th meeting of the 11th board	<ol style="list-style-type: none"> 1. Presentation of the Company's 2021 Q1 business performance and financial statements 2. Report on derivative transactions undertaken by the Company between January and March 2021 3. Report on external party lending, endorsement, and guarantee transactions undertaken by the Company and subsidiaries up until March 31, 2021 4. Report on the Company's audit plan execution between January and March 2021 5. 2021 salary adjustment 6. 2021 salary adjustment for managers of Assistant Vice President grade and above 7. Proposal to commence phase 3 transfer of the 3rd share repurchase to employees 8. Establishment of the Company's "Issuance Policy for 2020 Employee Warrant" 9. Allocation of 2020 employee warrant 10. Proposal for partial amendments to the Company's Articles of Incorporation 11. Establishment of group-wide taxation and management policies 12. Construction of new factory complex and multi-storey carpark for the Company's Hsinchu Plant 13. Proposal to apply for credit limits with banking partners 14. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 	nil.	-
May 7, 2021	7th meeting (interim) of the 11th board	<ol style="list-style-type: none"> 1. Establishment of the Company's "Issuance and Subscription Policy for 2021 Employee Warrant" 	nil.	-
Jun. 21, 2021	8th meeting of the 11th board	<ol style="list-style-type: none"> 1. Transcend Optronics (Yangzhou) Co., Ltd., one of the Company's wholly-held investments, proposes to raise USD 61 million of capital to construct production facilities for the supply of upstream materials for EPD modules. Through this project, the subsidiary intends to develop the acquired but unused land located on the west side of the plant Report on derivative transactions undertaken by the Company between April and June 2020 2. Establishment of the Company's "Issuance Policy for 2021 Employee Warrant" 3. Allocation of 2020 and 2021 employee warrant 4. Proposal to change the date, venue, and relevant details of the Company's 2021 annual general meeting 	nil.	-
Aug. 6, 2021	9th meeting of	<ol style="list-style-type: none"> 1. Presentation of the Company's 2021 Q2 business performance and consolidated financial statements 	nil.	-

	the 11th board	<ol style="list-style-type: none"> 2. Presentation of the Company's 2021 Q3 business performance 3. Report on derivative transactions undertaken by the Company and subsidiaries between April and June 2021 4. Report on external party lending, endorsement, and guarantee transactions undertaken by the Company and subsidiaries up until June 30, 2021 5. Report on the Company's audit plan execution between April and June 2021 6. Report on renewal of the Company's director and supervisor liability insurance 7. Proposal to adopt Taiwan Intellectual Property Management System (TIPS) for improvement to the Company's intellectual property management plan and stronger association with business strategies and performance, and report on the certification progress for the current application 8. Proposal to apply for credit limits with banking partners 9. Proposal of CPA audit service fees for 2021 10. Proposal to retire the 3rd Share Repurchase against a reduction of the Company share capital, and to update capital registration 11. Proposal to have Transcend Optronics (Yangzhou) Co., Ltd., one of the Company's wholly-held investments, raise USD 61 million of capital to construct production facilities for the supply of upstream materials for EPD modules, while signing a policy incentive contract with "Yangzhou Economic and Technological Development Zone Administration Committee" for new capital raised on the new project 		
Nov. 5, 2021	10th meeting of the 11th board	<ol style="list-style-type: none"> 1. Presentation of the Company's 2021 Q1-Q3 business performance and consolidated financial statements 2. Presentation of the Company's 2021 business performance 3. Report on derivative transactions undertaken by the Company and subsidiaries between July and September 2021 4. Report on external party lending, endorsement, and guarantee transactions undertaken by the Company and subsidiaries up until September 30, 2021 5. Report on the Company's audit plan execution between July and September 2021 6. Report on ESG Committee's progress, the Company's sustainability action goals, and persistent improvement plans for 2021. 7. Report on the expansion of Ink production capacity by the Company's subsidiary - E Ink Corporation (EIC) 8. Presentation of the Company's 2022 "Audit Plan" 9. Proposal to apply for credit limits with banking partners 10. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 11. Proposal to make partial amendments to the Company's "Financial Statement Preparation Procedures Management" 12. Appointment of accounting supervisor for the Company 13. Proposal to change the place of registration from British Virgin Islands (BVI) to The Netherlands for two of the Company's subsidiaries, namely PVI Global Corporation ("PVIG") and Dream Pacific International Corp. ("DP"), and to optimize organizational structure and share capital of subsidiary - E Ink Corporation ("EIC") 14. Proposal and recommendation to adjust compensation range for the Company's Chairman and General Manager 	nil.	-
Dec. 17, 2021	11th meeting of the 11th board	<ol style="list-style-type: none"> 1. Report on derivative transactions undertaken by the Company and subsidiaries between October and November 2021 2. Report on external party lending, endorsement, and guarantee transactions undertaken by the Company and subsidiaries up until November 30, 2021 3. Report on the Company's business integrity management practices in 2021 4. Report on follow-up tracking and improvement of audit findings dated July to September 2021 5. Presentation of the Company's 2022 operational plan and budget 6. Proposal to apply for credit limits with banking partners 7. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 	nil.	
Mar. 11, 2022	12th meeting of the 11th board	<ol style="list-style-type: none"> 1. Presentation of the Company's 2021 business report and financial statements 2. Presentation of the Company's 2022 Q1 business performance 3. Report on derivative transactions undertaken by the Company in 2021 and January 2022 4. Report on external party lending, endorsement, and guarantee 	nil	-

		<p>transactions undertaken by the Company and subsidiaries up until January 31, 2022</p> <ol style="list-style-type: none"> 5. Report on the Company's audit plan execution between October and December 2021 6. Report on the third time of buyback of the Company's shares and the transfer of shares to employees 7. Report on the outcome of 2021 performance evaluation for the Company's board of directors, directors, and functional committees 8. Report on the energy and carbon reduction potentials of the Company's EPD products 9. Report on indirect investments into the Mainland through business investments created in a third location 10. Report on the proposed exercising of right to purchase land and buildings at Billerica Site and nearby land by the Company's subsidiary - E Ink Corporation (EIC) 11. Presentation of the Company's 2021 year-end accounts 12. Proposal of the Company's 2021 earnings appropriation 13. Proposal to allocate employee and director remuneration from 2021 profits, and to determine details including the payment method and eligible payees 14. Presentation of the Company's 2021 "Declaration of Internal Control System" 15. Proposal to apply for credit limits with banking partners 16. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 17. Proposal to lend capital to one of the group subsidiaries - Yuanhan Materials Inc. (Yuanhan) 18. Proposal for partial amendments to the Company's Articles of Incorporation 19. Proposal for partial amendments to the Company's "Shareholders Conference Rules." 20. Proposal for partial amendments to the Company's Procedures of Acquisition or Disposal of Asset 21. Proposal to remove restrictions imposed against the Company's directors for involving in competing businesses 22. Discussion for the time, venue, and agenda of the Company's 2022 annual general meeting 		
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(II) Any other documented objections or reservations raised by an independent director against board resolution in relation to matters other than those described above: None.

- II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process:
1. During the 5th meeting of the 11th board of directors, a motion was raised to allocate employee remuneration and director remuneration from 2020 profits, during which the payment method and eligible payees were also determined. This motion was voted in two separate phases, one for independent directors and one for non-independent directors. During the independent directors phase, Independent Directors Po-Young Chu, Donald Chang, and Hsi-Cheng Yen had recused from discussion and voting due to conflict of interest. During the non-independent director phase, Chairman Johnson Lee, Director S.C. Ho, Director Felix Ho, Director FY Gan, Director Luke Chen, and Director Chuan-Chuan Tsai had recused from discussion and voting due to conflict of interest. Independent Director Po-Young Chu served as acting chairperson for the motion, and the motion was passed as proposed without objection from remaining directors that were free of conflicting interest when inquired by the acting chairperson.
 2. A proposal was raised during the 6th meeting of the 11th board to adjust salary of managers graded Assistant Vice President and above for 2021. Directors FY Gan and Luke Chen concurrently assumed managerial positions of Assistant Vice President grade and above at E Ink, and had recused from discussion and voting due to conflicting interest. The motion was passed as proposed by the remaining directors free of conflicting interest, who expressed no objection upon inquiry by the chairperson.
 3. A proposal was raised during the 6th meeting of the 11th board to commence phase 3 transfer of the 3rd share repurchase to employees. Chairman Johnson Lee, Director FY Gan, Director Luke Chen, and Director Chuan-Chuan Tsai had recused from discussion and voting due to conflict of interest. Independent Director Donald Chang served as acting chairperson for this motion. The motion was passed as proposed by the remaining directors that were free of conflicting interest, who expressed no objection upon inquiry by the acting chairperson.
 4. A proposal was raised during the 6th meeting of the 11th board to allocate the 2020 employee warrant. Chairman Johnson Lee, Director FY Gan, and Director Luke Chen had recused from the eligibility review, discussion, and resolution due to conflict of interest. Independent Director Donald Chang served as acting chairperson for this motion. The motion was passed as proposed by the remaining directors that were free of conflicting interest, who expressed no objection upon inquiry by the acting chairperson.
 5. A proposal was raised during the 8th meeting of the 11th board to allocate the 2020 and 2021 employee warrant. Chairman Johnson Lee, Director FY Gan, and Director Luke Chen had recused from the eligibility review, discussion, and resolution due to conflict of interest. Independent Director Donald Chang served as acting chairperson for this motion. The motion was passed as proposed by the remaining directors that were free of conflicting interest, who

expressed no objection upon inquiry by the acting chairperson.

6. A motion was raised during the 9th meeting of the 11th board to recommend and adjust compensation rate for the Company's Chairman and General Manager. Chairman Johnson Lee and Director FY Gan had recused from discussion and voting due to conflict of interest. Independent Director Donald Chang served as acting chairperson for this motion. The motion was passed as proposed by the remaining directors that were free of conflicting interest, who expressed no objection upon inquiry by the acting chairperson.

7. During the 12th meeting of the 11th board of directors, a motion was raised to allocate employee remuneration and director remuneration from 2021 profits, during which the payment method and eligible payees were also determined. This motion was voted in two separate phases, one for independent directors and one for non-independent directors. During the independent directors phase, Independent Directors Po-Young Chu, Donald Chang, and Hsi-Cheng Yen had recused from discussion and voting due to conflict of interest. During the non-independent director phase, Chairman Johnson Lee, Director S.C. Ho, Director Felix Ho, Director FY Gan, Director Luke Chen, and Director Chuan-Chuan Tsai had recused from discussion and voting due to conflict of interest. Independent Director Po-Young Chu served as acting chairperson for the motion, and the motion was passed as proposed without objection from remaining directors that were free of conflicting interest when inquired by the acting chairperson.

8. A motion was raised during the 12th meeting of the 11th board of directors to remove restrictions against the Company's directors for competing business involvement. Director FY Gan had recused from discussion and voting due to conflict of interest. The motion was passed as proposed by the remaining directors free of conflicting interest, who expressed no objection upon inquiry by the chairperson.

III. TWSE/TPEx listed companies are required to disclose the cycle, duration, scope, method, and detail of board performance self (or peer) evaluations performed; please refer to section (2) Execution of Board Performance Evaluation.

IV. Enhancement to the functionality of the board of directors in the current and the most recent year (e.g., establishment of an Audit Committee, improvement of information transparency etc.), and the progress of such enhancements:
Internal policies, including the Corporate Governance Code of Conduct, Sustainability and Social Responsibility Code of Conduct, Business Integrity Code of Conduct, and Board of Directors Performance Evaluation Policy, were passed during the 16th meeting of the 10th board of directors held in 2019 to support a sound corporate governance system. On December 31, 2021, the Company followed the terms of its Board of Directors Performance Evaluation Policy, and evaluated board performance by way of a questionnaire, which has been designed to help establish performance targets and improve board efficiency in the future.

Note: Calculated based on the number of board of directors meetings held and in-person attendance during active duty.

(2) Execution of Board Performance Evaluation

Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
Once a year	2021/1/1 ~2021/12/31	(1) Board of directors (2) Board members (3) Audit Committee (4) Remuneration Committee	(1) Board and board member self-assessment (2) Functional committee member self-assessment	(1) Board performance evaluation: Board's participation in the Company's operations, the quality of board's decisions, the board's composition, election and ongoing education of board members, and enforcement of internal control. (2) Performance assessment of individual directors: Director's awareness towards the Company's goals and missions, awareness of duties, level of understanding and recommendations to the Company's operations, maintenance of internal relations and communication, professionalism and ongoing education, and enforcement of internal control. (3) Performance assessment for functional committees (including Audit Committee and Remuneration Committee): Participation in the Company's operations, awareness of duties, quality of committee's decisions, composition and member selection, and enforcement of internal control.

Note 1: Represents the frequency of board performance evaluation, e.g.: once a year.

Note 2: Represents the duration covered by performance evaluation, e.g.: performance of the board of directors between January 1 and December 31, 2021, was assessed.

Note 3: The scope of assessment covers the board's performance as a whole, the individual directors, and functional committees.

Note 4: Assessment methods include: internal board self-assessment, director self-assessment, peer assessment, assessment by an external institution or expert, and other methods as deemed appropriate.

Note 5: Assessment details, by the scope of assessment, include at least the following:

- (1) Board performance assessment: board's participation in the Company's operations, the quality of board's decisions, the board's composition, election and ongoing education of board members, and enforcement of internal control.

- (2) Director individual performance assessment: includes at least director's awareness towards the Company's goals and missions, awareness to duties, level of participation in the Company's operations, maintenance of internal relations and communication, professionalism and ongoing education, and enforcement of internal control.
- (3) Performance assessment for functional committees: participation in the Company's operations, awareness of duties, quality of committee's decisions, composition and member selection, and enforcement of internal control.

3.3.2 Audit Committee

A. Audit Committee

A total of 6 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	No. of in-person attendance (B)	Proxy attendance count	Percentage of in-person attendance (%) (B/A) (Note)	Remarks
Independent Director	Po-Young Chu	6	0	100%	Convener
Independent Director	Donald Chang	6	0	100%	
Independent Director	Hsi-Cheng Yen	6	0	100%	

Other mandatory disclosures:

I. For Audit Committee meetings that concern any of the following, state the date and session of Audit Committee meeting, the motions discussed, the Audit Committee's resolutions, and how the Company has handled Audit Committee's opinions.

(I) Conditions described in Article 14-5 of the Securities and Exchange Act.

Date of meeting	Session	Motion	Opposing opinions from independent directors	Company's response to Audit Committee's conflicting opinions:
Mar. 12, 2021	4th meeting of the 3rd committee	1. Presentation of the Company's 2020 year-end accounts 2. Presentation of the Company's 2020 "Declaration of Internal Control System" 3. Proposal for partial amendments to the Company's "Procedures of Acquisition or Disposal of Asset" 4. Proposal for amendments to the Company's "accounting policy." 5. Proposal to expand production lines H3 and H4 for FPL at the Company's Hsinchu Plant	nil.	-
May 04, 2021	5th meeting of the 3rd committee	1. Establishment of group-wide taxation and management policies 2. Construction of new factory complex and multi-storey carpark for the Company's Hsinchu Plant	nil.	-
May 7, 2021	6th meeting (interim) of the 3rd committee	1. Establishment of the Company's "Issuance and Subscription Policy for 2021 Employee Warrant"	nil.	-
Jun. 21, 2021	7th meeting (interim) of the 3rd committee	1. Allocation of 2020 and 2021 employee warrant	nil.	-
Aug. 2, 2021	8th meeting of the 3rd committee	1. Proposal of CPA audit service fees for 2021 2. Proposal to have Transcend Optronics (Yangzhou) Co., Ltd., one of the Company's wholly-held investments, raise USD 61 million of capital to construct production facilities for the supply of upstream materials for EPD modules, while signing a policy incentive contract with "Yangzhou Economic and Technological Development Zone Administration Committee" for new capital raised on the new project	nil.	-
Nov. 2, 2021	9th meeting of the 3rd committee	1. Presentation of the Company's 2022 "Audit Plan" 2. Proposal to make partial amendments to the Company's "Financial Statement Preparation Procedures Management" 3. Appointment of accounting supervisor for the Company 4. Proposal to change the place of registration from British Virgin Islands (BVI) to The Netherlands for two of the Company's subsidiaries, namely PVI Global Corporation ("PVI") and Dream Pacific International Corp. ("DP"), and to optimize organizational structure and share capital of subsidiary - E Ink Corporation ("EIC") Establishment of group-wide taxation and management policies	nil.	-

- (II) In addition to the aforementioned issues, any other motions not passed by the Audit Committee but passed by the Board at the consent of more than two-thirds of the Directors: Not applicable.
- II. Avoidance of involvements in interest-conflicting motions by independent directors, including details such as the name of independent director, the motion, the nature of conflicting interests, and involvement in the voting process: None.
- III. The communication between the Independent Directors and the Chief Internal Auditor and the CPAs (including the financial position and state of business operation in materiality, the means of communication, and the result):
 - (1) The Audit Committee convenes regularly and will invite certified public accountants, Chief Internal Auditor, and related officers to attend the meeting.
 - (2) The internal auditors conduct audits in accordance with the Annual Audit Plan and report to the Audit Committee on the audit findings. The Audit Committee evaluates the internal control system, the internal auditors, and the pursuit of internal audits regularly.
 - (3) The Audit Committee exchanges opinions with the certified public accountants retained by the Company on the review or audits of the quarterly financial statements and related legal matters, and evaluate the independence of the certified public accountants on the selection, the audit and non-audit services rendered by the certified public accountants.

Note: Calculated based on the number of Audit Committee meetings held and in-person attendance during active duty.

3.3.3 The pursuit of corporate governance and the variation with the Corporate Governance Best Practice Principles for TWSE/TPEX-listed Companies, and the reason:

Items for evaluation	The pursuit			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEX-listed Companies and the reason
	Yes	No	Summary	
I. Has the Company instituted and disclosed corporate best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX-listed Companies?	v		<ul style="list-style-type: none"> The company has passed the "Corporate Governance Code" and approved by the board of directors on 2019/12/19. Details can be found on the company's website: http://www.eink.com 	<ul style="list-style-type: none"> Fulfilled
II. The structure of shareholding and rights of the shareholders of the Company				
(I) Has the Company established internal operation procedures for responding to the suggestions, queries, disputes and legal actions of the shareholders, and follow the procedures?	v		<ul style="list-style-type: none"> The Company has appointed a spokesman, acting spokesman, and designated legal affairs staff who respond to the suggestions, queries, disputes, and legal actions of the shareholders in accordance with the operation procedure. 	<ul style="list-style-type: none"> Fulfilled
(II) Has the Company kept the list of the dominant shareholders that exercise de facto control of the Company and the parties that exercise ultimate control of these dominant shareholders under control?	v		<ul style="list-style-type: none"> Inquiry with the share registration and investor service agent at any time for proper information. 	<ul style="list-style-type: none"> Fulfilled
(III) Has the Company established and exercised risk control and firewall mechanisms with its affiliates?	v		<ul style="list-style-type: none"> The Company has instituted related rules and regulations governing the operation, business and financial transactions between the Company and the affiliates. 	<ul style="list-style-type: none"> Fulfilled
(IV) Has the Company instituted internal rules and regulations to prohibit insiders of the Company from using information undisclosed in the market for the trading of securities?	v		<ul style="list-style-type: none"> The Company has instituted the "Procedure for the Prevention of Insider Trade" to prohibit insiders of the Company using information not disclosed in market for the trading of securities. 	<ul style="list-style-type: none"> Fulfilled
III. The organization and function of the Board				
(I) Does the board of directors formulate a diversity policy, specific management goals and implementation?	v		<ul style="list-style-type: none"> The members of the board of directors of the company are composed of professionals from various parties. The members of the board of directors have different professional backgrounds, genders and fields of work, so as to build the board structure of the company. Please diversity policy, specific management goals and implementation refer to Section 3.2.2 	<ul style="list-style-type: none"> Fulfilled
(II) Further to the establishment of the Remuneration Committee and the Auditing Committee as required by law, has the Company voluntarily established related functional committees?		v	<ul style="list-style-type: none"> The Company has established the Remuneration Committee and the Audit Committee as required by law for the time being. 	<ul style="list-style-type: none"> In the future, more functional committees will be established under law.
(III) Has the company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis?		v	<ul style="list-style-type: none"> The company has formulated the board performance evaluation method and its evaluation method on 2019/12/19, and the members of the board of directors adhere to the highest governance principles to execute their business. 	<ul style="list-style-type: none"> Same as the summary

Items for evaluation	The pursuit			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason																																																																
	Yes	No	Summary																																																																	
Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration and nomination decisions?																																																																				
(IV) Has the Company conducted routine evaluation of the independence of the certified public accountants who conducted the external audits and certification?	v		<ul style="list-style-type: none"> The Company reviews the independence of the certified public accountants being retained annually and will report the findings to the session of the Audit Committee scheduled to be held on Mar 12, 2021 and to the session of the Board scheduled to be held on Mar 16, 2021 for a second review and final approval. The Accounting Department has assessed the state of independence of Hui-Min Huang and Chih-Ming Shao, CPAs from Deloitte Taiwan in accordance with the standard of independence of the Company. The result indicated that both CPAs are eligible for acting as the external independent auditors for the Company in financial audit and certification and for issuing related declaration. <p>Note: Criteria for the Assessment of the Independence of CPAs</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Items for evaluation</th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>No replacement has occurred over the last 7 years until the last time of certification.</td> <td>✓</td> <td></td> </tr> <tr> <td>2.</td> <td>No significant financial interest with clients.</td> <td>✓</td> <td></td> </tr> <tr> <td>3.</td> <td>Avoid unjustified relation with clients.</td> <td>✓</td> <td></td> </tr> <tr> <td>4.</td> <td>CPAs shall ensure their assistants to be honest, fair, and independent.</td> <td>✓</td> <td></td> </tr> <tr> <td>5.</td> <td>No audit and certification of the financial statements of the institutions that the CPAs have been working with 2 years prior to the present profession.</td> <td>✓</td> <td></td> </tr> <tr> <td>6.</td> <td>No third party may act in the name of the CPA.</td> <td>✓</td> <td></td> </tr> <tr> <td>7.</td> <td>No holding of the stocks issued by the Company and its subsidiaries.</td> <td>✓</td> <td></td> </tr> <tr> <td>8.</td> <td>No financing with the Company and its affiliates.</td> <td>✓</td> <td></td> </tr> <tr> <td>9.</td> <td>Joint investment or sharing profits with the Company or its affiliates.</td> <td>✓</td> <td></td> </tr> <tr> <td>10.</td> <td>No engagement in the routine work for regular salary payment with the Company or its subsidiaries.</td> <td>✓</td> <td></td> </tr> <tr> <td>11.</td> <td>No involvement with the job functions of the Company and its affiliates in decision-making.</td> <td>✓</td> <td></td> </tr> <tr> <td>12.</td> <td>No engagement in any other business that may damage the status of independence.</td> <td>✓</td> <td></td> </tr> <tr> <td>13.</td> <td>Not a spouse or kindred within the 2nd tier under the Civil Code to any management personnel of the Company.</td> <td>✓</td> <td></td> </tr> <tr> <td>14.</td> <td>No acceptance of commission from any business.</td> <td>✓</td> <td></td> </tr> <tr> <td>15.</td> <td>No penalty on violation of the principle of independence has ever been</td> <td>✓</td> <td></td> </tr> </tbody> </table>	Item	Items for evaluation	Yes	No	1.	No replacement has occurred over the last 7 years until the last time of certification.	✓		2.	No significant financial interest with clients.	✓		3.	Avoid unjustified relation with clients.	✓		4.	CPAs shall ensure their assistants to be honest, fair, and independent.	✓		5.	No audit and certification of the financial statements of the institutions that the CPAs have been working with 2 years prior to the present profession.	✓		6.	No third party may act in the name of the CPA.	✓		7.	No holding of the stocks issued by the Company and its subsidiaries.	✓		8.	No financing with the Company and its affiliates.	✓		9.	Joint investment or sharing profits with the Company or its affiliates.	✓		10.	No engagement in the routine work for regular salary payment with the Company or its subsidiaries.	✓		11.	No involvement with the job functions of the Company and its affiliates in decision-making.	✓		12.	No engagement in any other business that may damage the status of independence.	✓		13.	Not a spouse or kindred within the 2nd tier under the Civil Code to any management personnel of the Company.	✓		14.	No acceptance of commission from any business.	✓		15.	No penalty on violation of the principle of independence has ever been	✓		<ul style="list-style-type: none"> Fulfilled
Item	Items for evaluation	Yes	No																																																																	
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Items for evaluation	The pursuit			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason
	Yes	No	Summary	
			imposed.	
IV. Has the Company listed at TWSE/TPEx established designated full-time (part-time) body or appointed such personnel for administering corporate governance (including but not limiting to the supply of information for the Directors and Supervisors in performing their duties, holding of meetings for the Board and the Shareholders Meeting and handling related matters, administering company registration and Fulfilled changes, compilation of the minutes of meetings of the Board and Shareholders Meeting on record)?	v		<ul style="list-style-type: none"> The Company has appointed designated personnel to administer corporate governance, including the supply of information to the needs of the Directors and Independent Directors for their performance of assigned duties, holding conventions of the Board and the Shareholders Meeting as required by law, making company registration and registration of change, compilation of minutes of Board meetings and Shareholders Meeting on record. Scope of Authority, Business Highlights during the Year, and Continuing Education for the Chief Governance Officer, refer to Section 8.8. 	● Fulfilled
V. Has the Company developed the channels for the communications with the stakeholders (including without limiting to shareholders, employees, customers and suppliers) and established a special section for the stakeholders at the official website of the Company with proper response to the concerns of the stakeholders in the aspect of corporate social responsibility?	v		<ul style="list-style-type: none"> The Company has established the system of spokesman and provided the update information of the Company and communicate with stakeholders on issues pertaining to corporate social responsibility through the stakeholder section of the official website of the Company, the quarterly supplier meetings, and customer satisfaction survey. 	● Fulfilled
VI. Has the Company commissioned a professional share registration and investor services agent for handling matters related to Shareholder Meeting?	v		<ul style="list-style-type: none"> The Company has appointed SinoPac Securities Corp. to organize the Shareholders Meeting and handle related matters. 	● Fulfilled
VII. Disclosure of information				
(I) Has the Company installed an official website for the disclosure of information on finance, operation, and corporate governance?	v		<ul style="list-style-type: none"> The Company has installed its official website (http://www.eink.com) to provide related financial and operation information and appointed designated personnel to maintain and update the content. 	● Fulfilled
(II) Has the Company adopted other means for disclosure (such as the installation of a website in the English language, appointment of designated persons to the collection and disclosure of information on the Company, the implementation of the spokesman system, and the videotape on institutional investor conferences)?	v		<ul style="list-style-type: none"> The Company has set up the Public Relation Office and the Share Registration and Investor Service Office to perform the function of information gathering and disclosure. The Company also has had an official website in the English language and properly implemented the spokesman system. 	● Fulfilled
(III) Does the company publish and make official filing of annual financial report within two months after the end		v	<ul style="list-style-type: none"> The company has announced and declared annual financial reports, first, second, third quarter financial reports and monthly operating conditions in accordance with the relevant provisions of the 	● Fulfilled

Items for evaluation	The pursuit			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason
	Yes	No	Summary	
of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?			Securities and Exchange Act. For the disclosure of the above information, please refer to the Market Observation System (MOPS) : https://mops.twse.com.tw/mops/web/index	
VIII. Is there any vital information that helps to understand the actions on corporate governance better (including without limiting to employee rights, employee care, investor relation, supplier relation, stakeholder right, the continuing education of the Directors and Supervisors, risk management policy, and the standard of risk assessment and the pursuit of risk assessment, the pursuit of customer policy, professional liability insurance for the Directors and the Supervisors of the Company)?	v		Description below:	● Fulfilled

- (I) For information on the rights of employees, such as fringe benefits, continuing education, training, and retirement system of the Company, refer to Section 5.5.
- (II) The Company takes risk management and the impact on the environment into consideration for the advocacy of sustainable development and holds training programs in safety, health, and environment management for all at regular intervals.
- (III) The Company has duly observed applicable legal rules governing environmental protection. For further information on environmental protection and related expenditures, refer to Section 5.4.
- (IV) The Company has instituted the procedure for the evaluation of suppliers.
- (V) Continuing education of the Directors in 2021:

Title	Name	Date of training		Organizer	Name of course	Training hours
		Start	End			
Representative of Institutional Director	S.C. Ho	12/21/2021	12/21/2021	Taiwan Corporate Governance Association	How Investors Think - Sustainability Transformation through ESG Investing and Financing	3
		12/14/2021	12/14/2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar	3
Independent Director	Po-Young Chu	12/21/2021	12/21/2021	Taiwan Corporate Governance Association	A Risk Approach to Sustainable Governance -- From Corporate Governance to ESG	3
		11/04/2021	11/04/2021	Taiwan Corporate Governance Association	A Macro Perspective on Sustainable Growth of Global Businesses – Turning the 2050 Vision to 2021 Actions	3
		08/03/2021	08/03/2021	Taiwan Corporate Governance Association	Global Economic and Industrial Outlook for the Second Half of 2021	3
		05/12/2021	05/12/2021	Taiwan Corporate Governance Association	Improving Corporate Social Responsibilities and Board Function	3
		05/06/2021	05/06/2021	Taiwan Corporate Governance Association	Boosting Profitability through Innovation in the Digital Era	3
Representative of Institutional Director	Felix Ho	12/14/2021	12/14/2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar	3
		09/09/2021	09/09/2021	Taiwan Corporate Governance Association	ESG/CSR and Sustainable Governance Trends in 2021	3
		01/20/2021	01/20/2021	Taiwan Corporate Governance Association	Preventing Insider Trading for Sound Corporate Governance	3
Representative of Institutional Director	Chuan-Chuan Tsai	09/14/2021	09/14/2021	Taiwan Corporate Governance Association	Changes in the 5G Era: Industry Upgrades, Future Business Applications, and the Post-pandemic Norm	3
		04/16/2021	04/16/2021	Taiwan Corporate Governance Association	Two Insurance Solutions to Sound Corporate Governance - Cybersecurity Insurance	3
Representative of Institutional Director	Luke Chen	12/14/2021	12/14/2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar	3
		11/26/2021	11/26/2021	Taiwan Corporate Governance Association	Net Zero Emission 2030/2050 – Sustainability Challenges and Opportunities for Global Businesses	3
		10/28/2021	10/28/2021	Taiwan Corporate Governance Association	Case Study of Critical Factors to Successful Digital Transformation	3
Representative of Institutional Director	Johnson Lee	12/24/2021	12/24/2021	Taiwan Corporate Governance Association	Case Study on Financial Statement Fraud	3
		12/09/2021	12/09/2021	Taiwan Corporate Governance Association	Business Secret Protection and Fraud Detection Practices	3
Representative of Institutional Director	FY Gan	12/21/2021	12/21/2021	Taiwan Corporate Governance Association	How Investors Think - Sustainability Transformation through ESG Investing and Financing	3
		12/14/2021	12/14/2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar	3
		11/26/2021	11/26/2021	Taiwan Corporate Governance Association	Net Zero Emission 2030/2050 – Sustainability Challenges and Opportunities for Global Businesses	3

Items for evaluation			The pursuit				Variation from the Corporate Governance Best Practice Principles for TWSE/TPEX-listed Companies and the reason
			Yes	No	Summary		
Independent Director	Hsi-Cheng Yen	10/28/2021	10/28/2021	Taiwan Corporate Governance Association	Case Study of Critical Factors to Successful Digital Transformation	3	
		11/04/2021	11/04/2021	Taiwan Corporate Governance Association	A Macro Perspective on Sustainable Growth of Global Businesses – Turning the 2050 Vision to 2021 Actions	3	
		09/01/2021	09/01/2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3	
		05/06/2021	05/06/2021	Taiwan Corporate Governance Association	Boosting Profitability through Innovation in the Digital Era	3	
Independent Director	Donald Chang	12/14/2021	12/14/2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar	3	
		09/01/2021	09/01/2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3	
		07/29/2021	07/29/2021	Taiwan Institute for Sustainable Energy	The 25th CEO Seminar and Talks	2	
<p>(VI) More than two-thirds of the Directors were present in each session of the Board to participate in the operation of the Board.</p> <p>(VII) The recusal of the Directors on motions with a conflict of interest: Directors will recuse themselves from the discussion and voting of motions that involve a conflict of their personal interests.</p> <p>(VIII) Professional liability insurance for the protection of the Directors and Supervisors: The Company has taken professional liability insurance for the protection of the Directors.</p>							
<p>IX. The state of corrective action taken in response to the corporate governance evaluation result announced by the Corporate Governance Center of Taiwan Stock Exchange Corporation, and the issues required special effort for improvement and related measures.</p> <p>(I) The Company's corporate governance evaluation result for the eighth session is 6%~20%, total score: 86.42, an increase of 9.47 points from 76.95 in the previous year.</p> <p>(II) Improvements and future response actions:</p> <ol style="list-style-type: none"> (1) Comprehensively promote sustainable development (2) Improve the transparency of investor information (3) Strengthening the structure and operation of directors <p>(III) The company conducts in-depth discussions on unscored projects every year, continuously proposes improvement measures and implements them in detail, actively strives to improve the score every year, enhances the effectiveness of the company's corporate governance, and achieves sustainable development goals.</p>							

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

2021/12/31

Name/separate/condition		Professional qualifications and experience	Independence criteria	Number of positions as Compensation Committee in other public companies
Independent director (convener)	Donald Chang	Work experience in commerce, law, finance, accounting or necessary for company operation.	Relevant	1
Independent director	Hsi-Cheng Yen	Qualified as lecturer or above in public and private colleges and universities in relevant departments of business, legal affairs, finance, accounting or corporate business Work experience in commerce, law, finance, accounting or necessary for company operation.	Relevant	3
Independent director	Po-Young Chu	Qualified as lecturer or above in public and private colleges and universities in relevant departments of business, legal affairs, finance, accounting or corporate business Work experience in commerce, law, finance, accounting or necessary for company operation.	Relevant	3

Note: For professional qualifications, experience and independence, please refer to Section 3.2.1 Director Information.

2. Attendance of Members at Remuneration Committee Meetings

(1) There are 3 members in the Remuneration Committee.

(2) A total of 4 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Donald Chang	4	0	100%	
Committee Member	Po-Young Chu	4	0	100%	
Committee Member	Hsi-Cheng Yen	4	0	100%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified):

Board of Directors Date	Session	Motion	Board Resolution Results	Company's response to Compensation and Remuneration Committees' opposing opinions
2021.03.16	The 11th board	1 Proposal to allocate employee and director remuneration from 2020 profits, and to determine details including the payment method and eligible payees	Passed unanimously by all directors	-
	The 5th meeting	2 Report the performance evaluation results of the Remuneration Committee of the Company in 2020		
2021.05.07	The 11th board The 6th meeting	1 The 2021 salary adjustment proposal	Passed unanimously by all directors	-
		2 The 2021 salary adjustment proposal for managers of assistant vice president grade and above		
		3 Proposed to handle the third and third-stage repurchase of shares and transfer of employees		
		4 Proposed Employee Share Option Allocation of the Company in 2010		
2021.06.21	The 11th board The 8th meeting	1 Proposed Employee Share Option Allocation of the Company for 2010 and 2021	Passed unanimously by all directors	-
2021.11.05	The 11th board The 10th meeting	1 Proposed Remuneration of the Chairman and General Manager of the Company	Passed unanimously by all directors	-

2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Date of Remuneration Committee meeting	Session	Motion	Resolution Results	Company's response to members' opposing opinions
2021.03.12	4-2	1 Proposal to allocate employee and director remuneration from 2020 profits, and to determine details including the payment method and eligible payees	Passed unanimously by all attending members	-
		2 Report the performance evaluation results of the Remuneration Committee of the Company in 2020		
2021.05.04	4-3	1 The 2021 salary adjustment proposal	Passed unanimously by all attending members	-
		2 The 2021 salary adjustment proposal for managers of assistant vice president grade and above		

		3	Proposed to handle the third and third-stage repurchase of shares and transfer of employees		
		4	Proposed Employee Share Option Allocation of the Company in 2010		
2021.06.21	4-4	1	Proposed Employee Share Option Allocation of the Company for 2010 and 2021	Passed unanimously by all attending members	-
2021.11.02	4-5	1	Proposed Remuneration of the Chairman and General Manager of the Company	Passed unanimously by all attending members	-

3. Functions

1. Establish and regularly review the policies, systems, standards and structures for performance evaluation and compensation for directors and managers.
2. Regularly assess and determine the salary remuneration of directors and managers.

3.3.5 Implementation status of sustainable development, deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such deviations

Evaluation Item	Implementation Status:			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such deviations
	Yes	No	Summary	
1. Does the company establish a governance structure for the implementation of sustainable development, along with a unit that specializes (or is involved) in sustainable development? Does the unit report to the Board of Directors with its operation delegated to the senior management?	●		<p>The Company established a cross-function Corporate Social Responsibility Committee in February 2016 as an adjunct functional body subordinated to each functional department with 30 to 40 committee members. In 2021, the CSR Committee officially became the ESG Sustainability Committee. It remained an adjunct functional body subordinated to each functional department with 40 to 50 committee members. The Committee was chaired by the CFO and reported to the Chairperson. The Committee was organized into a Secretariat for administrative matters and seven working groups: Green Manufacturing, Corporate Care, Corporate Governance, Product Sustainability, Supply Chain, Projects and Stakeholders, and Risk Management. The working groups were made up of representatives from relevant company departments including Occupational Safety, Environmental Protection, Human Resources, Business Administration, General Administration, Finance, Accounting, Legal Affairs, Auditing, Information Systems, Manufacturing, Purchasing, Quality Assurance, Research and Development, Products, Sales, Marketing, and Public Relations.</p> <p><u>Annual Meeting of ESG Sustainability Committee</u></p> <ol style="list-style-type: none"> (1) At least two general meetings of the ESG Sustainability Committee are convened each year to report on progress in the current year and plans for the following year. (2) Two reports on sustainability progress are made to the Board of Directors every year (3) A quarterly meeting is convened by each working group to check their implementation progress against the annual plan. (4) The Secretariat is responsible for planning the ESG reporting schedule. Information provided by each working group is then compiled by the Secretariat. 	Relevant
2. Does the company conduct risk assessments on environmental, social and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?	●		<p>E Ink has developed a robust risk management organization supported by standard operating procedures and rules to support risk management practices. Through implementation of internal control systems and training, the Company not only promotes proper awareness among employees but also enforces risk management practice in daily activities. The Company conducted risk assessment on environmental, social and corporate governance issues and evaluated risk levels based on principles of materiality. The findings were then used as the basis for developing risk management policies or strategies. The Company also adopted an internal audit system and performed regular audits to ensure the effective operation of risk management mechanisms.</p>	Relevant

Evaluation Item	Implementation Status:			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such deviations
	Yes	No	Summary	
3. Environmental topics (1) Does the company establish an environmental management system appropriate for the nature of its industry?	•		Each E Ink plant has obtained ISO 14001 certification (environmental management system). Transition to ISO 14001:2015 certification with third-party verification was completed by E Ink's Taiwan site in 2017. Further investments in environmental improvement plans were also made.	Relevant
(2) Does the company commit to improving energy efficiency and the use of renewable materials with low environmental impact?	•		The Company continued to promote waste reduction in production processes and the efficient use of energy. Chemicals from production processes are recovered and refined by the original supplier for reuse to improve our environmental, safety and health performance. All reusable packaging materials and resource waste are recycled through the corresponding channels as well.	Relevant
(3) Does the company assess potential risks and opportunities associated with climate change, and adopt mitigating measures?	•		<p>The 2°C or higher temperature scenarios published by the International Energy Agency along with the investigations and judgments of E Ink's internal/external stakeholders, international research reports, and domestic/overseas industry trends were used to identify the potential physical risks, transformation risks and opportunities for E Ink due to the effects of climate change. Incidence and impact analysis were then conducted on the identified risks and opportunities to determine the appropriate mitigating measures for each type of risk and develop corresponding climate change strategies.</p> <p>The key climate change risks identified by E Ink in this manner were changes in renewable energy laws and regulations, increase in the severity of extreme climate, and uncertainty in market signals. The corresponding management measures included: monitoring of regulatory changes, actively search for sources of green power, installation of power-generation equipment, voluntary compliance with laws and regulations, regular pipeline conduit maintenance, strengthening of emergency response drills, equipment upgrades and maintenance, supply chain risk management, establish secondary suppliers, monitoring of market information, to increase market sensitivity and adjust response strategies to reduce risk.</p> <p>Climate change opportunities included the development of new products or services, reduction in the use and consumption of water resources, and the recycling and reuse of resources through R&D and innovation. Corresponding management measures included: Expanding the design, application and innovation R&D of ePaper, upgrade to energy-saving motors, eliminate leaking facilities, recovery and reuse of chemicals, and cooperating with suppliers on the recovery of chemicals and packaging materials.</p>	Relevant
(4) Does the company maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy greenhouse gas, water and waste?	•		At E Ink, we take environmental protection topics very seriously. We strive to practice pollution control and reduce the consumption of energy resources. An environmental safety and health management policy has been put in place with an annual management plan for water supply increase, wastewater recycling, energy conservation, heat recovery, waste reduction, and recycling programs. GHG and product carbon footprint audits are also conducted in response for the sake of energy efficiency and	Relevant

Evaluation Item	Implementation Status:			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such deviations
	Yes	No	Summary	
			<p>carbon reduction. The scope of the audits includes all E Ink Taiwan sites and the primary production sites of overseas subsidiaries.</p> <ul style="list-style-type: none"> ● ISO 14001 environmental management system was introduced and certification obtained from 2001 onwards. ISO 14064-1 GHG emission inventories have been taken every year since 2005 with third-party verification. All sites in Taiwan also introduced and obtained ISO 50001 energy management system certification in 2016. ● Statistics on all environmental data (GHG emissions, electricity usage, water usage, waste, emissions etc.) are collected, analyzed and fully disclosed. Tailored management targets and initiatives were also set for each plant with regular follow-ups and disclosure of their outcomes. ● The Company continued to implement carbon reduction initiatives every year in support of government policies and regulations on energy efficiency and carbon reduction. Our energy efficiency targets and action plans have produced tangible results. The Company began purchasing green electricity under the Voluntary Green Energy Pricing Trial Project of the Ministry of Economic Affairs in 2017. Planned purchases have been made every year since then. Renewable energy certificates that combine direct transmission and wheeling were also purchased from private power plants to demonstrate the Company's commitment to supporting green electricity, energy efficiency and carbon reduction. <p>All GHG emission and environmental energy statistics and information are duly disclosed and published in the annual corporate social responsibility report or the ESG section of our corporate website. The annual corporate responsibility report undergo assurance by an accounting firm.</p>	
<p>4. Social topics</p> <p>(1) Does the Company establish management policies and procedures in accordance with applicable laws and regulations and the International Convention of Human Rights?</p>	●		<p>E Ink complies with local laws and regulations at all of its operating locations worldwide. Internationally accepted human rights standards including the International Bill of Rights and the ILO Declaration on Fundamental Principles and Rights at Work are adhered to eliminate human rights violations and abuses. All employees, contract and temporary personnel, and interns are treated with dignity and respect. E Ink not only adheres strictly to the provisions of the Labor Standards Act in our employment, management, and cultivation of personnel but is also committed to respecting policies on human rights. All new employees in Taiwan must undergo training on human rights policies during their orientation. In 2021, ten orientation training sessions were completed. 227 new employees completed 100% of all required training over 2,493 hours.</p>	Relevant

Evaluation Item	Implementation Status:			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such deviations
	Yes	No	Summary	
2) Does the company define and implement reasonable employee welfare measures (including compensation, leave of absence and other benefits), and does employee compensation properly reflect business performance or results?	•		<p>E Ink provides sound remuneration, carefully thought-out benefits and a high-quality living environment. We cultivate a friendly working environment to help employees maintain their work-life balance. A corporate culture based around employee accountability, teamwork and innovation is emphasized at E Ink. We value the contribution of every employee. The standard of compensation and benefits are regularly reviewed against local laws and market standards to design fair and competitive compensation for each position. We provide starting salaries that exceed the local minimum wage for all new employees. Nor do we discriminate on the basis of gender, race, religion, political affiliation, marital status, or membership of unions/community associations in compensation. To attract and retain quality talent, we offer performance and annual bonuses linked to business results and individual performance based on the principle of profit-sharing.</p> <p>E Ink considers employees to be our most important asset. We seek to offer a sound working environment, compensation and benefits for every employee around the world. There are also incentive mechanisms to reward employee contribution. Based on information published on the TWSE Market Observation Post System website, E Ink's average employee compensation of NT\$1,285,000 was the highest out of all publicly listed opto-electronic companies in 2021. This was not only higher than the industry average of NT\$768,000 but also higher than the average salary of NT\$886,000 at publicly listed opt-electronic companies.</p> <p>In addition to providing a safe, comfortable, and people-friendly working environment, employee health is a priority for E Ink as well. Regular employee health exams, cultural and educational seminars, company holidays, family days, and a wide variety of club activities are held at various times to enhance employees' quality of life. E Ink knows that employees are a company's most important asset. An employee stock option plan was therefore approved and submitted to the competent authority for reference in 2020 and 2021 to reward and retain talent, boost employee performance, and thank employees for their hard work.</p>	Relevant
3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	•		<p>To ensure the safety of employees and maintain workplace safety, external verification on OHSAS 18001 (converted to ISO 45001 in 2020) was used to formulate and enforce appropriate operating procedures and guidelines. The Employee Health Management Regulations were formulated in accordance with the Occupational Safety and Health Act to manage the planning and execution of health exams as well as health promotion. Two types of work (working with hexane and lead) at Taiwan sites are defined as work with special health hazards under the Labor Health Protection Rules. Such employees undergo special physical exams before hiring or change of assignment, and at the end of each year as well. Those rated as level-2 or higher by the health report are registered for regular follow-ups by the infirmary. Individual consultations are also arranged for employees with health issues during on-site visits by the occupational medicine specialist. Recommendations are provided to the</p>	Relevant

Evaluation Item	Implementation Status:			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such deviations
	Yes	No	Summary	
			<p>employee and the company by the specialist after reviewing the employee's routine work, environment, lifestyle habits and family history. Health seminars for special work also held every year to give special workers a better understanding of the health hazards. In addition to looking after employees in the high-risk group, all employees are encouraged to take part in health promoting activities as well.</p> <p>In 2021 there was 1 case of occupational injury involving one person. Injury rate per 1,000 employees was 0.89.</p> <ul style="list-style-type: none"> ● Unsafe situation: Difficulty of working in confined space led to accidental contact with materials not in use ● Unsafe behavior: Hard hat not worn by supervisor ● Corrective action: <ol style="list-style-type: none"> 1. Daily inspections of contractor work should be enforced 2. Workers and supervisors should wear appropriate protective equipment for the work being done when they enter the construction site. 	
4) Does the company implement an effective training program for employees to develop their career skills?	●		<p>In terms of employee development, the Company sets great store by the cultivation and training of talent worldwide. Talent cultivation is based on systemic planning of core competencies. All online training has been consolidated under the E Ink University global online education platform from 2019. Personalized training programs are developed for each employee based on their role and position to improve their overall competitiveness. Physical training courses were also changed to online courses in response to COVID-19 so that employees could schedule their own training. The US plant is now conducting a learning experiment on the Python programming language to equip every employee with essential skills for a digital world. We hope to roll out this model to all global sites so that all E Ink employees will be better equipped to respond to trends in IoT and smart technology. The E Ink Global University was established in 2020 to provide E Inkers around the world with a wide variety of common basic training courses. These efforts resulted in employees taking part in internal training 14,701 times during 2021. Total training person-hours was in excess of 14,584 hours and more than 424 training sessions were held. Average satisfaction of online courses was 91.6% while average satisfaction for face-to-face courses was 93.8%.</p>	Relevant
5) Does the company comply with laws, regulations and international standards with respect to customer health, safety and privacy, marketing and labeling in all products and services offered, and implement consumer protection policies and complaint procedures?	●		<p>All Company products conform to international standards and customer requirements. The Company also adheres strictly to codes of conduct and ethics in all internal and external business practices. Furthermore, the Company implements customer satisfaction survey and complaint handling procedures as means to enhance customer relationship and to secure long-term working relations.</p> <ul style="list-style-type: none"> ➢ Operating processes have been defined for every Company department. An internal quality assurance department has also been established to protect the rights of customers. Customer satisfaction surveys and feedback are used to understand the needs of customers and provide a reference for continuous improvement. This increases 	Relevant

Evaluation Item	Implementation Status:			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such deviations
	Yes	No	Summary	
			<p>customer satisfaction by ensuring products meet customer requirements. Regular customer visits and review meetings are also held to keep the channels for communication open and ensure that customer requirements are fully understood. A monitoring system has also been implemented to ensure that the quality of products and serves meets customer expectations.</p> <p>➤ The Company strives to ensure that the components, parts, raw materials and packaging used by company products do not contain environment-related substances such as restricted substances or conflict minerals in order to comply with existing laws and regulations, satisfy customer requirements, protect the Earth's environment, and alleviate their impact on the ecosystem. Raw materials from suppliers are therefore required to conform with the following rules:</p> <ol style="list-style-type: none"> 1. Registration, Evaluation, Authorization and Restriction of Chemicals (EU REACH) 2. Directive of Waste Electronic and Electrical Equipment (EU WEEE) 3. Directive of the Restriction of Hazardous Substances (EU RoHS) 4. Non-use of Conflict Minerals 5. The Company's product and environmental quality policy and targets (based upon international regulations and customer requirements). 	
<p>(6) Does the company implement a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and track suppliers' performance on a regular basis?</p>	•		<p>The Company has defined supplier evaluation procedures that take into consideration CSR topics such as occupational safety and health management system, environmental impact assessment, health and safety, assessment of labor practices, and social impact assessment. All new suppliers are required to pass the aforementioned CSR evaluation while existing suppliers receive regular audits and counseling. Any significant negative impact on society will be reflected in the supplier evaluation and taken into consideration in future orders, transactions and audits. In addition, suppliers are assessed on their financial, environmental and social risks to facilitate early response and reduce the risk of supply chain disruptions.</p> <p>Under the supplier evaluation process, the purchasing unit must research prospective new suppliers and conduct a risk assessment. Supplier quality and punctuality must then be verified to determine whether they can become a qualified supplier. Other units can then determine whether to engage in further cooperation.</p> <p>E Ink's management of new and old suppliers are based on standard evaluation procedures that serve as a guide for the development, evaluation and qualification of suppliers. In 2020 many supplier evaluations could not be conducted on-site due to COVID-19. New supplier evaluations were therefore conducted through online and document reviews.</p> <p>Annual audits and quarterly assessments are conducted for long-term suppliers of raw materials to improve their manufacturing technology,</p>	Relevant

Evaluation Item	Implementation Status:			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such deviations
	Yes	No	Summary	
			<p>quality standard, and management ability as well as reduce costs. Such cooperation represents a win-win outcome for the continuity of the Company's raw materials supply.</p> <p>In 2021, a total of 22 new and old suppliers will be audited (Note: 4 new suppliers and 18 existing suppliers). Due to the severe special infectious pneumonia (COVID-19) epidemic, some supplier evaluations have also been changed from on-site to online and written reviews to complete new supplier evaluations. In 2021, the average supplier audit score was 89.33. All new suppliers were deemed by the audit team to be qualified suppliers. The two supplier that received a conditional approval can still supply materials. E Ink will continue to mentor the supplier and prioritize follow-up annual assessments to ensure the continuity of supply.</p>	
5. Does the company prepare a sustainability report or any report for disclosure of non-financial information based on international reporting standards or guidelines? Are the aforementioned reports supported by assurance or opinion of a third-party certifier?	•		<p>The Company's CSR report was prepared in accordance with the GRI Standards on sustainability reporting issued by the Global Reporting Initiative (GRI) and conformed with the Core option for disclosures. The report was verified by an accounting firm using the standards published by Accounting Research and Development Foundation in Statement of Assurance Principles No. 1 - "Audit and Review of Non-financial Information" (based on the revised International Standard on Assurance Engagements; ISAE 3000 Revised). Limited Assurance was conducted to confirm conformity with the Core option of the GRI Standards on disclosure. Please refer to the appendix of each CSR report for the CPA's independent assurance statement.</p>	Relevant
6. If the company has established sustainability principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The relevant systems and regulations have been defined by the Company and duly implemented in the spirit of CSR.				
7. Other information useful to understanding the implementation of sustainable development: A CSR Report was compiled by the Company for the first time in 2015. The 2014 CSR Report encompassed environmental protection, use of energy resources, energy efficiency and carbon reduction, safety and health, product innovation, quality assurance, customer service purchasing and supplier management, human rights and employee rights, internal/external communication and grievance mechanisms, compliance, and social welfare. For more information, please visit the CSR section of our corporate website (http://www.eink.com). The 2021 CSR report is scheduled for publication in June 2022. E Ink is a member of society and is conceived with the spirit of "Giving Back to Society." The Company is therefore continuing to commit money and manpower towards the building of a better society and to make contribution to the natural environment. Highlights of the Company's CSR activities are as follows: Awards and Accolades The Company took part in the "2021 Taiwan Corporate Sustainability Awards" organized by the Taiwan Academy of Corporate Sustainability, and won the Corporate Sustainability Report (Chinese) Award - Gold Award, Taiwan Enterprise Sustainability Excellence Award, and Best Performance in a Specific Category - Growth through Innovation Award. President FY Gan was invited on stage to accept the awards. Highlights of the Company's CSR activities are as follows: E-Read the Future "E-Read the Future" is a long-term e-Reader mobile library program that E Ink has been running since 2017. The program aims to assist elementary schools, junior high schools, and rural institutions set up a digital library based on e-books that offer diverse content, portability, eye comfort, and are suitable for extended reading. In addition to enriching the learning resources of elementary/junior high schools to overcome the rural learning gap, the program also promotes an eco-friendly, paperless digital reading method. The program is therefore aligned with sustainable development goals such as UN SDG 3 (Good health and well-being), SDG 4 (Quality education), and SDG 17 (Global partnership). A number of software and hardware supply chain partners were involved during program execution including Netronix Inc. and Kobo. Volunteers also played an active role. In 2021, the program partnered with Taoyuan City Government to set up 13 e-reader mobile libraries at 12 junior high schools in rural regions (but not in mountainous or urban regions), and 1 junior high school with good reading performance. E				

Evaluation Item	Implementation Status:			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such deviations
	Yes	No	Summary	
<p>Ink partnered with ePaper ecosystem partners such as Netronix, Kobo, Fitipower, Uniflex, Global Lighting Technologies, Henghao Technology, and Innolux to donate 370 e-Readers and 30,340 e-books in total. The program has set up e-Reader mobile libraries in Nantou County, Changhua County, Chiayi County, New Taipei City, and Taoyuan City so far. Total donations to date covered 98 elementary and junior high schools, 19 libraries, 1,986 e-Readers, and nearly 160,000 e-books. The program has benefited more than 30,000 students and the value of contributions exceeded NT\$173 million.</p> <p>“E-Read the Future” is a long-term program run by E Ink based on the goal of “one region per year.” A three-year project cycle was set up to incorporate the ideals of sustainable development. The first year is used to set up the e-reader mobile library and conduct training on the use of devices. In the second and third year, school visits, teacher workshops and children’s reading report competitions are held following the themes of “digital, reading, knowledge.” The cycle helps to familiarize school teachers and students with the use of e-Readers. The portability of e-Readers helps to boost reading frequency and intensity. This in turn supports the continued promotion of digital learning. Feedback from teachers and students are also used to improve how the program is implemented.</p> <p>In addition, the “E-Read the Future” program model implemented in Taiwan has been expanded to other global sites including Yangzhou in China, Seoul in Korea, and Boston in the US. In using e-Reader and e-book resources to promote digital learning and overcome the rural learning gap, E Ink is making a contribution to the sustainable development of society even as it takes the company and brand onto the global stage.</p> <p>Support Green Energy To support the government policy on renewable energy certificate (REC) trading, E Ink purchased 262 RECs in 2017, 697 RECs in 2018, 686 RECs in 2019, as well as 272 RECs and 7 direct supply and wheeling certificates in 2020. Data maintained by the National Renewable Energy Certification Center showed that E Ink has accumulated a total of 1,979 renewable energy certificates (including 62 direct supply and wheeling certificates) as of December 31, 2021. Further purchases are planned to demonstrate the Company’s support for green energy, energy efficiency and carbon reduction.</p>				

3.3.6 Ethical Corporate Management

Items for evaluation	The pursuit			Variation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary	
I. Establishment of the Ethical Corporate Management Policy and Action Plan				
(I) Has the company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?	V		The Company duly observes the Company Act, other applicable legal rules governing companies listed at TWSE and TPEX, and other laws governing commercial behaviors as the prerequisites for the implementation of ethical corporate governance.	Fulfilled
(II) Has the company developed systematic practices for assessing integrity risks? Does the company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	V		As stated in the internal control system and "Business Integrity Code of Conduct" of the Company, directors, employees, and controllers shall not directly or indirectly offer, promise, request, or accept improper gains in any form in the pursuit of business activities, including kickbacks, commissions, lobbying fee, or offer or accept improper gains to/from customers, agents, contractors, suppliers, public officials, or other stakeholders.	Fulfilled
(III) Has the company defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	V		The Company has implemented a set of Business Integrity Code of Conduct that outlines relevant operating procedures, behavioral guidelines, disciplinary actions, and grievance channels, details of which have been published on the Company's website (external) and Intranet (internal).	Fulfilled
II. Integrity in business operation				
(I) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		The Company engaged in business operation in fairness and transparency. Prior to engaging in commercial transactions, the Company would evaluate its counterparties' legitimacy and investigate whether they were previously involved in dishonest conduct. The Company would avoid dealing with entities that demonstrate poor integrity and requires counterparties to sign integrity commitment letters to ensure that business dealings are carried out in good faith.	Relevant
(II) Does the company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?	V		The Company has designated its Human Resource Division to be the unit responsible for enforcing business integrity; implementation of business integrity policy and prevention against dishonest conduct are reported to the board of directors regularly (once a year).	Fulfilled
(III) Has the Company made the policy for the prevention of the conflict of interest, provided appropriate channel for reflection, and properly pursued such policy?	V		Directors and managers are required to recuse from decisions in which they hold a personal stake. Recusal of the board of directors from interest-conflicting resolutions has been explained in detail in the Company's annual report. Employees can submit grievances on related matters through Appeal@eink.com.	Fulfilled
(IV) Has the company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	V		The Company has established an effective internal control system and accounting system to assure the effective design and implementation of the system. The Company has also appointed CPAs to conduct annual review and amendment to the system jointly with the auditors, and the implementation of corporate governance so as to establish sound mechanisms for corporate governance and risk control.	Fulfilled

Items for evaluation	The pursuit			Variation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary	
(V) Has the Company provided internal and external trainings on topics of ethical corporate management at regular intervals?	V		The Company has implemented a set of Business Integrity Code of Conduct and organizes unscheduled e-learning as a means to promote employees' awareness towards integrity and ethics. The Company also appoints senior officers to participate in business integrity-related conferences organized by the authority from time to time, so that integrity can be enforced as part of internal management and external business activities.	Fulfilled
III. The reporting system of the Company in action				
(I) Has the Company established the system for reporting and rewards for the informants, and the channels for facilitating the reporting of unethical practices, and appointed appropriate personnel to conduct investigation on the suspects reported by the others?	V		The Company accepts reports of inappropriate business practice, corruption, fraud, and violation, and improvement suggestions from insiders and outsiders. All suggestions and reports are investigated or verified by the Company's Human Resources Division.	Fulfilled
(II) Has the company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	V		Article 5 of the Company's "Business Integrity Code of Conduct" outlines standard operating procedures for investigating reported misconducts as well as subsequent measures to be undertaken and confidentiality requirements after an investigation.	Fulfilled
(III) Has the Company established related policies for the protection of the informants from undue treatment?	V		Article 5 of the Company's "Business Integrity Code of Conduct" outlines standard operating procedures for investigating reported misconducts as well as subsequent measures to be undertaken and confidentiality requirements after an investigation.	Fulfilled
IV. Information Disclosure				
Has the company disclosed its integrity principles and progress onto its website and MOPS?	V		The Company publishes annual report over its website and Market Observation Post System to disclose the progress of its integrity efforts.	Fulfilled
V. If the company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has implemented its "Business Integrity Code of Conduct" following board of directors' approval dated December 19, 2019. All systems and policies introduced in relation to business integrity align with integrity principles and have been enforced accordingly.				
VI. Other information useful to the understanding of integrity in business dealings: None				

3.3.7 The implementation of ethical corporate management and policies: E Ink educate employees the value of business ethics from time to time for strengthening the moral idea of integrity and anti-corruption to all and provide related training to demand all to observe the code of conduct. Any offense against the ethical norm shall be punished in accordance with the internal rules and regulations of the Company.

3.3.8 The method of inquiry shall be disclosed if the Company has established the Corporate Governance Best Practice Principles and related rules and regulations: refer to: <http://www.eink.com>

3.3.9 Any other vital information that helps to understand the performance of corporate governance of the Company shall also be disclosed: refer to Section 8.8-8.9.

3.3.10 The following shall be disclosed in the pursuit of internal control system:

1. Declaration of Internal Control: refer to Section 8.2
2. If CPAs are retained to audit the internal control system, disclose the Auditors' Report: none.

3.3.11 Penalty of the Company and its personnel by law, punishment of the personnel by the Company on violation of the internal control system in the most recent year to the date this report was printed, the major defects and the status of corrective action: none.

3.3.12 Major resolutions of the Shareholders Meeting and the Board in the most recent year to the date this reported was printed: refer to Section 8.7.

3.3.13 Adverse opinions of the Directors or Supervisors on motions passed by the Board on record or in written declaration in the most recent year to the date this report was printed, and the content of the opinions: none.

3.3.14 Resignation or dismissal of senior officers of the Company like the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, and Chief R&D Officer:

Title	Name	Date of office	Date of resignation/discharge	Reason for resignation and discharge
Accounting Officer	James Huang	2013/12/03	2021/08/20	Resignation

3.4 Information Regarding the Company's Audit Fee and Independence

Audit Fee Information

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non- Audit Fee	Total	Remarks
Deloitte Touche Tohmatsu Limited	Hui-Min Huang	2021.01.01 ~2021.12.31	12,080	3,450	15,530	Tax consulting service fee
	Chih-Ming Shao					

3.5 Information on the replacement of CPAs in the last 2 years and beyond: None.

1. Information on preceding CPAs: not applicable.
2. Information on succeeding CPAs: not applicable.
3. Replies from the preceding CPAs on matters specified in 6.1 and 6.2.3 in Article 10 of this regulations: not applicable.

3.6 Working in the capacity as the chairman, president, financial and accounting manager with the CPA office retained for auditing service or its affiliates in the most recent year: None.

3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

3.7.1 Changes in Shareholding

Unit: Shares

Title	Name		2021		As of Apr. 24, 2022	
			Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Johnson Lee	Representative of Aidatek Electronics Inc.	140,000	-	-	-
Director	S.C. Ho					
Director	Felix Ho					
Director	Luke Chen	Representative of Shin-Yi Enterprise Co., Ltd.	-	-	-	-
Director	CC Tsai					
Director	FY Gan					
Independent director	Po-Young Chu		-	-	-	-
Independent director	Donald Chang		-	-	-	-
Independent director	Hsi-Cheng Yen		-	-	-	-
Chairman	Johnson Lee		200,000	-	-	-
President	FY Gan		(300,000)	-	-	-
Seinor Vice President	YS Chang		49,586	-	-	-
Vice President	Tung-Liang Lin		6,000	-	-	-
Scientific Advisor	CC Tsai		100,000	-	-	-
Chief Technology Officer	Ian Douglas French		90,000	-	(9,000)	-
Executive Vice President	Luke Chen		100,000	-	-	-
Chief Finance Officer	Lloyd Chen		100,000	-	-	-
Vice President	Mano Lo		53,000	-	-	-
Vice President	JM Hung		122,000	-	-	-
Associate Vice President	Max Chen		20,000	-	-	-
Associate Vice President	Jim Chang		124,000	-	(200,000)	-
Associate Vice President	Jason Jan		60,000	-	(14,000)	-
Associate Vice President	Peter Peng		NA	-	(22,000)	-
Finance Center Accounting Director	Jimmy Lee		NA	-	-	-
Corporate Governance Officer	June Su		38,000	-	(1,000)	-
Major Shareholders	YFY Inc.		0	-	-	-

Note: Peter Peng was appointed as the new assistant manager of FPL production general office on July 1, 2021. Jimmy Lee was appointed as the new acting head of accounting on August 20, 2021.

3.7.2 The transferee of equity shares is a related party: None.

3.7.3 The lien holder of pledged equity shares is a related party: None.

3.8 Relations among the Top 10 shareholders by quantity of shareholding.

2022/04/24

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
YFY Inc. Representative : LIU,HUI-JIN	133,472,904	11.70%	N/A	N/A	0	0.00%	1.HUANG,KUN-XIONG 2.LUO,BING-JHENG 3.Shin-Yi Enterprise Co., Ltd.	1.Representative of Juristic-person Director 2.Representative of Juristic-person Director 3.Juristic-person Director	
S.C. Ho	80,434,300	7.05%	0	0.00%	0	0.00%	1.Shin-Yi Enterprise Co., Ltd. 2.Hsinex International Corporation	1.Director and spouse of representative 2.Director and spouse of representative	
Shin-Yi Enterprise Co., Ltd. Representative : C. J. Chang	32,842,345	2.88%	N/A	N/A	0	0.00%	1.S.C. Ho	1.Director and spouse of representative	
Hsinex International Corporation Representative : C. J. Chang	27,012,127	2.37%	N/A	N/A	0	0.00%	1.S.C. Ho	1.Director and spouse of representative	
YFY Development Corp. Representative : LUO,BING-JHENG	23,326,296	2.05%	N/A	N/A	0	0.00%	1.YFY Inc.	1.Juristic-person Director	
Cathay Life Insurance Co.,Ltd. Representative : HUANG,TIAO-GUI	23,211,227	2.04%	N/A	N/A	0	0.00%	None	None	
HSBC Managed Paula Capital Fund's Global Technology Fund	20,074,405	1.76%	N/A	N/A	0	0.00%	None	None	
Chung Hwa Pulp Corporation Representative : HUANG,KUN-XIONG	20,000,000	1.75%	N/A	N/A	0	0.00%	1.YFY Inc. 2.S.C. Ho	1.Juristic-person Director 2.Representative of Juristic-person Director	
Deutsche Bank Custodian Swed Bank Rob Technology Investment Account	16,500,000	1.45%	N/A	N/A	0	0.00%	None	None	
Indus Select Master Fund, Ltd.	14,827,000	1.30%	N/A	N/A	0	0.00%	None	None	

3.9 Ownership of Shares in Affiliated Enterprises

December 31, 2021/Unit: Shares

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
New Field e_Paper Co., Ltd.	671,032,318	100.00%	0	0	671,032,318	100.00%
PVI Global Corp.	108,413,176	100.00%	0	0	108,413,176	100.00%
YuanHan Materials Inc.	183,819,268	100.00%	0	0	183,819,268	100.00%
E Ink Corporation	1,034	45.31%	1,248	54.69%	2,282	100.00%
Dream Universe Ltd.	4,050,000	100.00%	0	0	4,050,000	100.00%
Prime View Communications Ltd.	3,570,000	100.00%	0	0	3,570,000	100.00%
Enttek Co., Ltd.(Note 2)	2,203,161	47.07%	0	0	2,203,161	47.07%
Tech Smart Logistics Ltd.	1,550,000	0.09%	1,748,251,748	99.91%	1,749,801,748	100.00%
Linfiny Corporation	1,680,000	4.00%	32,340,000	77.00%	34,020,000	81.00%
Plastic Logic HK Limited	223,655	2.40%	2,500,000	2679.00%	2,723,655	29.19%
E Ink Japan Inc.	200	100.00%	0	0	200	100.00%

Note 1 : Investment with equity method.

Note 2 : Under liquidation.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

MM YYYY	Offering price	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital stock	Investment in kind by assets other than cash	Others
July 2004	10	1,000,000	10,000,000	425,960	4,259,597	Capitalization of retained earnings into new shares amounting to NT\$259,597 thousand	None.	July 21, 2004: Jin-Guan-Zheng(I)-Zi No. 0930132629
June 2005	10	1,000,000	10,000,000	548,435	5,484,353	Capitalization of retained earnings into new shares amounting to NT\$1,224,756 thousand	None.	June 29, 2005: Jin-Guan-Zheng(I)-Zi No. 0940125990
May 2006	10	1,000,000	10,000,000	548,139	5,481,393	Decapitalization amounting to NT\$2,960 thousand	None.	February 20, 2006: Jin-Guan-Zheng (III)-Zi. No. 0950105976
September 2007	10	1,000,000	10,000,000	582,760	5,827,596	Capitalization of retained earnings amounting to NT\$233,113 thousand. ESO and convertible bonds conversion amounting to NT\$113,090 thousand.	None.	September 17, 2007: (2007)Yuan-Shang-Zi No. 0960025503
January 2008	10	1,000,000	10,000,000	587,833	5,878,331	ESO and convertible bonds conversion amounting to NT\$50,735 thousand	None.	January 17, 2008: (2008)Yuan-Shang-Zi No. 0970000871
April 2008	10	1,000,000	10,000,000	590,128	5,901,280	ESO conversion amounting to NT\$22,949 thousand	None.	April 10, 2008: (2008)Yuan-Shang-Zi No. 0970009235
June 2008	10	1,000,000	10,000,000	590,534	5,905,341	ESO conversion amounting to NT\$4,061 thousand	None.	June 27, 2008: (2008) Yuan-Shang-Zi No. 0970017534
September 2008	10	1,000,000	10,000,000	678,278	6,782,781	Capitalization of retained earnings amounting to NT\$873,130 thousand. ESO conversion amounting to NT\$4,310 thousand.	None.	September 3, 2008: (2008)Yuan-Shang-Zi No. 0970024760
January 2009	10	1,000,000	10,000,000	748,313	7,483,128	Offering new shares through private placement amounting to NT\$700,000 thousand. ESO conversion amounting to NT\$347 thousand.	None.	January 20, 2009: (2009) Yuan-Shang-Zi No. 0980001762
April 2009	10	1,000,000	10,000,000	750,227	7,502,270	ESO conversion amounting to NT\$19,143 thousand.	None.	April 13, 2009: (2009) Yuan-Shang-Zi No. 0980009913
August 2009	10	1,000,000	10,000,000	830,227	8,302,227	Raising capital by issuing new shares amounting to NT\$800,000 thousand.	None.	August 25, 2009: (2009) Yuan-Shang-Zi No. 0980023051
September 2009	10	1,000,000	10,000,000	832,602	8,326,016	ESO conversion amounting to NT\$23,746 thousand	None.	September 7, 2009: (2009) Yuan-Shang-Zi No. 0980024687
January 2010	10	2,000,000	20,000,000	956,321	9,563,210	ESO conversion amounting to NT\$26,957 thousand. Convertible bonds conversion amounting to NT\$510,237 thousand.	None.	January 7, 2010: (2010) Yuan-Shang-Zi No. 0990000661
February 2010	10	2,000,000	20,000,000	1,060,468	10,604,680	Offering of preferred shares amounting to NT\$1,041,471 thousand.	None.	February 3, 2010: (2010) Yuan-Shang-Zi No. 0990003179
March 2010	10	2,000,000	20,000,000	1,060,468	10,604,680	Conversion of preferred shares to common shares amounting to NT\$1,041,471 thousand.	None.	March 12, 2010: (2010) Yuan-Shang-Zi No. 0990006406

MM YYYY	Offering price	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital stock	Investment in kind by assets other than cash	Others
April 2010	10	2,000,000	20,000,000	1,073,586	10,735,856	ESO conversion amounting to NT\$27,603 thousand. Convertible bonds conversion amounting to NT\$103,571 thousand.	None.	April 12, 2010: (2010) Yuan-Shang-Zi No. 0990009479
July 2010	10	2,000,000	20,000,000	1,074,467	10,744,667	ESO conversion amounting to NT\$2,590 thousand. Convertible bonds conversion amounting to NT\$6,221 thousand.	None.	July 21, 2010: Yuan-Shang-Zi No. 0990020870
October 2010	10	2,000,000	20,000,000	1,075,118	10,751,180	ESO conversion amounting to NT\$6,514 thousand	None.	November 17, 2010: Yuan-Shang-Zi No. 0990034114
December 2010	10	2,000,000	20,000,000	1,077,273	10,772,732	ESO conversion amounting to NT\$21,552 thousand	None.	January 5, 2011: Yuan-Shang-Zi No. 1000000584
March 2011	10	2,000,000	20,000,000	1,078,495	10,784,953	ESO conversion amounting to NT\$12,220 thousand	None.	April 20, 2011: Yuan-Shang-Zi No. 1000010702
August 2011	10	2,000,000	20,000,000	1,079,705	10,797,054	ESO conversion amounting to NT\$12,101 thousand	None.	September 15, 2011: Yuan-Shang-Zi No. 1000027409
December 2011	10	2,000,000	20,000,000	1,080,142	10,801,418	ESO conversion amounting to NT\$4,364 thousand	None.	January 17, 2012: Yuan-Shang-Zi No. 1010002102
March 2012	10	2,000,000	20,000,000	1,080,250	10,802,504	ESO conversion amounting to NT\$1,086 thousand	None.	April 9, 2012: Yuan-Shang-Zi No. 1010010516
June 2012	10	2,000,000	20,000,000	1,080,398	10,803,981	ESO conversion amounting to NT\$1,477 thousand	None.	July 9, 2012: Yuan-Shang-Zi No. 1010020074
August 2012	10	2,000,000	20,000,000	1,080,465	10,804,646	ESO conversion amounting to NT\$665 thousand	None.	September 11, 2012: Yuan-Shang-Zi No. 1010028380
October 2012	10	2,000,000	20,000,000	1,080,896	10,808,962	ESO conversion amounting to NT\$4,316 thousand	None.	November 12, 2012: Yuan-Shang-Zi No. 1010034764
March 2013	10	2,000,000	20,000,000	1,080,990	10,809,897	ESO conversion amounting to NT\$935 thousand	None.	April 8, 2013: Yuan-Shang-Zi No. 1020009668
July 2013	10	2,000,000	20,000,000	1,140,990	11,409,897	Offering new shares through private placement amounting to NT\$600,000 thousand	None.	July 24, 2013: Yuan-Shang-Zi No. 1020022148
June 2014	10	2,000,000	20,000,000	1,140,468	11,404,677	Cancellation of treasury shares amounting to NT\$5,220 thousand.	None.	June 04, 2014: Zhu-Shang-Zi No. 1030016291
Aug 2021	10	2,000,000	20,000,000	1,140,405	11,404,047	Cancellation of treasury shares amounting to NT\$630 thousand.	None.	Aug 20, 2021: Zhu-Shang-Zi No. 1100023756

Class	Share	Authorized capital			Remark:
		Outstanding shares	Unissued shares	Total	
Registered common shares		1,140,404,715	859,595,285	2,000,000,000	Stocks listed at TWSE or TPEX

4.1.2 Status of Shareholders

2022/04/24

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	5	43	423	60,329	757	61,557
Shareholding (shares)	6,603,022	43,470,728	368,439,368	309,830,894	412,060,703	1,140,404,715
Percentage	0.58%	3.81%	32.31%	27.17%	36.13%	100.00%

4.1.3 Shareholding Distribution Status

A. Common Shares

2022/04/24

Class of Shareholding			Number of Shareholders	Shareholding (Shares)	Percentage
1	-	999	30,636	2,558,983	0.22%
1,000	-	5,000	25,017	45,204,734	3.96%
5,001	-	10,000	2,538	20,060,795	1.76%
10,001	-	15,000	820	10,582,546	0.93%
15,001	-	20,000	470	8,693,246	0.76%
20,001	-	30,000	476	12,201,412	1.07%
30,001	-	40,000	247	8,692,526	0.76%
40,001	-	50,000	203	9,511,748	0.83%
50,001	-	100,000	417	30,324,732	2.66%
100,001	-	200,000	274	39,020,335	3.42%
200,001	-	400,000	174	49,483,665	4.34%
400,001	-	600,000	82	40,180,685	3.52%
600,001	-	800,000	43	30,528,300	2.68%
800,001	-	1,000,000	18	16,037,903	1.41%
1,000,001 or over			142	817,323,105	71.67%
Total			61,557	1,140,404,715	100.00%

B. Preferred Shares: None.

4.1.4 List of Major Shareholders

2022/04/24

Shareholder's Name	Shareholding	
	Shares	Percentage
YFY Inc.	133,472,904	11.70%
S.C. Ho	80,434,300	7.05%
Shin-Yi Enterprise Co., Ltd.	32,842,345	2.88%
Hsinex International Corporation	27,012,127	2.37%
YFY Development Corp.	23,326,296	2.05%
Cathay Life Insurance Co., Ltd.	23,211,227	2.04%
HSBC Managed Paula Capital Fund's Global Technology Fund	20,074,405	1.76%
Chung Hwa Pulp Corporation	20,000,000	1.75%
Deutsche Bank Custodian Swed Bank Rob Technology Investment Account	16,500,000	1.45%
Indus Select Master Fund, Ltd.	14,827,000	1.30%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: Thousand shares /NTD

Items	2020	2021	As of 2022/04/24
Market Price per Share			
Highest Market Price	48.85	153	196
Lowest Market Price	20.6	43.2	126.5
Average Market Price	38.56	84.37	152.9
Net Worth per Share			
Before Distribution	26.89	30.84	-
After Distribution	24.19	27.64	-
Earnings per Share			
Weighted Average Shares	1,134,363	1,137,384	-
Diluted Earnings Per Share	3.18	4.53	-
Dividends per Share			
Cash Dividends	2.7	3.2	-
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 1)	12.13	18.62	-
Price / Dividend Ratio (Note 2)	14.28	26.37	-
Cash Dividend Yield Rate (Note 3)	7	3.79	-

* If there is a capital increase allotment from surplus or capital reserve, the market price and cash dividend information retrospectively adjusted according to the number of issued shares shall be disclosed.

Note 1: List the highest and lowest market prices of ordinary shares in each year, and calculate the average market price of each year based on the transaction value and transaction volume in each year.

Note 2: Please refer to the number of issued shares at the end of the year and fill in according to the resolution of the board of directors or the shareholders meeting of the following year.

Note 3: If retrospective adjustment is required due to free allotment, etc., the earnings per share before and after adjustment shall be listed.

Note 4: If the conditions for the issuance of equity securities stipulate that the unpaid dividends in the current year shall be accumulated to the year when there is a surplus, the accumulated and unpaid dividends up to the current year shall be disclosed separately.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8: The net value per share and earnings per share should be filled with the information checked (reviewed) by the accountant in the most recent quarter up to the printing date of the annual report; other fields should be filled with the information of the current year up to the printing date of the annual report.

4.1.6 Dividend Policy and Implementation Status

1. The dividend policy of the Company is specified below:

The Company is engaged in frontier technologies and adopted the residual dividend policy in supporting the long-term financial planning of the Company for sustainable development.

If the Company has a balance after annual account settlement, appropriate for tax payment and covering carryforward loss, followed by the appropriation of 10% as legal reserve under law, and appropriation or reversal of special reserve. If there is still a balance, the Board will retain specific amount of earnings with reference to the capital budget planning of the future to meet the capital needs in the years ahead, and appropriate 50% of the remainder as dividend payable to the shareholders.

The aforementioned distribution of income could be pooled up with the undistributed earnings accumulated in the previous year.

Dividends to the shareholders may be paid in cash or in stock where cash dividend shall not fall below 10% of the total dividend payable to the shareholders of the year.

The appropriation of legal reserve as mentioned in paragraph 2 could be waived if the amount is equivalent to the paid-in capital.

With the attendance of more than 2/3 of directors in the Board Meeting and the resolution of more than half of the present directors, all or part of the dividends to be distributed shall be paid by issuance of new shares. The issuance shall be approved by the shareholders' meeting.

2. The proposal of dividend payment in this session of the Shareholders Meeting:

The Board passed the proposal for the distribution of income in 2021 in a session dated March 11, 2022, and the dividend approved for distribution is shown below:

(Pending on the final approval of the Shareholders Meeting scheduled to be held on June 22, 2022)

E Ink Holdings Incorporated

Table for the Distribution of Earnings in 2021

Unit: NTD

Item	Amount	Remarks
Earnings undistributed at the period-beginning	3,185,559,617	
Net income of the current year	5,150,044,712	
Adjusted retained earnings for investment due to the use of the equity approach	140,590,942	
Remeasurement of defined benefit plan recognized in retained earnings	(7,902,478)	
Disposal of investments in equity instruments at fair value through other comprehensive income	19,378,421	
Sum of current net income and non-net income items added to current unappropriated earnings	5,302,111,597	
Statutory surplus reserve set aside (10%)	(530,211,160)	
Distributable earnings for the year	7,957,460,054	
Items of distribution		
Cash dividends and bonuses for shareholders	(3,649,295,088)	NT\$3.20 per share
Closing unappropriated earnings	4,308,164,966	

4.1.7 The influence of the payment of stock dividend proposed in this session of the Shareholders Meeting on the operation performance and earnings per share of the Company: not applicable.

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

1. The percentage and scope of remuneration to employees, Directors, and Supervisors as stated in the Articles of Incorporation:

If the Company gains profits in the year, it shall set aside at least 1% of the profits as the remuneration for employees and set aside not more than 1% of the profits as the remuneration for directors. However, if the Company has accumulated loss, certain amount to offset such loss shall be set aside in advance.

Remuneration to the Directors shall be made in cash. Remuneration to employees may be made in cash or stock. The employees of subsidiaries meeting specific condition are entitled to the remuneration. Such condition shall be determined by the Board under authorization. The ratio of remuneration to the Directors, the ratio of remunerations to employees and method of payment shall be determined by the Board in a session with the presence of at least two-thirds of the Directors and a simple majority of the Directors in session, and report to the Shareholders Meeting.

Remunerations to employees and the Directors shall be calculated on the basis of the earnings of the current year (the balance of earnings before taxation before the deduction of remunerations to employees and Directors) net of accumulated deficit.

2. The estimation of the amount for the remunerations to employees, Directors, and Supervisors in current period is based on the quantity of shares paid as remunerations to employees in the calculation and the actual amount paid, and the accounting if there is a difference between the estimated amount and the actual amount:

- (1) The estimation of remuneration to employees in 2021 amounted to NT\$53,800 thousand and to the Directors in the same year amounted to NT\$25,000 thousand. The Board resolved to pay the aforementioned amount in cash in a session dated March 11, 2022 pending on reporting to the Shareholders Meeting for final approval on June 22, 2022.
- (2) If there is significant change in the amount stated in the consolidated financial statements before announcement, the accounting of the adjustment of the change is recognized as expense in the period. If there is still a significant change in the amount after the announcement of the consolidated financial statements, handle the account under the change in accounting estimation and entered for adjustment in the next fiscal year.

3. Remuneration passed by the Board:

- (1) The amount of remuneration to employees, Directors, and Supervisors in cash or stock. If the recognized amount of expense is different from the estimated amount, disclose the difference, the reasons and the response:
 - A. The estimation of remuneration to employees in 2021 amounted to NT\$53,800 thousand and to the Directors in the same year amounted to NT\$25,000 thousand. The Board resolved to pay the aforementioned amount in cash in a session dated March 11, 2022.
 - B. There is no difference between the amount of remuneration passed by the Board and the amount of recognition in the year.
- (2) The ratio of amount of remuneration to employees paid in cash to the sum of the net income and remuneration to employees in current period: not applicable.

4. The actual payment to employees, Directors, and Supervisors in the previous year:

Item	Amount
Employees' compensation	38,650,000
Remuneration of directors	20,000,000

There is no difference between the actual amounts paid and the recognized amount.

4.1.9 Buyback of Treasury Stock

The Company began buying back treasury stocks since June 14, 2016. By August 4, 2016, the Company had bought back a total of 20,000 shares at an average price of NT\$18.02 per share (including fees), which represented 1.754% of outstanding shares. The majority of shares have been transferred to employees in July 2017, July 2018, July 2019, and July 2021, and 63,000 treasury stocks still have yet to be transferred to employees.

The Company set the baseline date for capital reduction at August 6, 2021 to retire 63,000 of outstanding shares and reduce share capital by NT\$630,000. Registration for the change of capital was completed on August 20, 2021. Execution and transfer of the third buyback of the Company's shares:

Item	Notes
Third buyback (2016) of company shares (completed)	
Passed by the board resolution	June 13, 2016
Purposes of buyback	To match with the Company's overall incentives, the scheme for the stay of personnel with excellent performance and the scheme for the engagement of special talents, the shares will be transferred to employees.
Period of buyback	June 14, 2016 - August 4, 2016
Price range of buyback	NT\$13.00 - NT\$24.60
Types and number of shares bought back	20,000,000 common shares
Amount of buyback	NT\$ 360,463,846
Quantity bought back as a percentage of planned buyback (%)	100%
Date retired and transferred	August 20, 2021
Number of shares retired and transferred	20,000,000 shares
Accumulated holding of the Company's shares	0 shares
Cumulative holding of own shares as a percentage to total outstanding shares (%)	0%
Average price of each share for the buyback	NT\$ 18.02
Details about the third time (in 2017) of transfer of the treasury shares to employees (the first time of transfer)	
Period of transfer	July 2017
Number of transferred shares	2,896,000 shares
Available shares for transfer	17,104,000 shares
Price of shares transferred to employees	NT\$ 18.02
Details about the third time (in 2018) of transfer of the treasury shares to employees (the second time of transfer)	
Period of transfer	July 2018
Number of transferred shares	6,845,000 shares
Available shares for transfer	10,259,000 shares
Price of shares transferred to employees	NT\$ 18.02
Details about the third time (in 2019) of transfer of the treasury shares to employees (the third time of transfer)	
Period of transfer	July 2019
Number of transferred shares	4,154,000 shares
Available shares for transfer	6,105,000 shares
Price of shares transferred to employees	NT\$ 18.02
Details about the third time (in 2021) of transfer of the treasury shares to employees (the fourth time of transfer)	
Period of transfer	July 2021
Number of transferred shares	6,042,000 shares
Shares not transferred past deadline	63,000 shares
Price of shares transferred to employees	NT\$ 18.02

4.2 Corporate Bonds: None

4.3 Preferred Stock: None

4.4 Global Depository Receipts

		Issue date	2009/12/11
Item			
Issuance and listing		Luxembourg Stock Exchange	
Unit issuing price		USD165,012,400	
Units issued		USD23.5732	
Quantity of Issuance		7,000,000 units	
Source of negotiable securities		The Company's common shares held by capital increased in Cash	
Quantity of negotiable securities		70,000,000 shares	
Rights and obligations of GDR holders		Same as those of common share holders	
Trustee		-	
Depository bank		CITIBANK,NA	
Custodian bank		Citi Bank, Taiwan	
Outstanding balance		0 units	
Treatment of expenses incurred at issuance and thereafter		Issue cost: amortized by the issuing companies and shareholder participants according to the actual shares issued Expenses incurred after issuance: amortized by the issuing company.	
Important conventions about depository and escrow agreement		Detailed contract	
Market price per unit (USD)	2021	Highest	54.5
		Lowest	15.5
		Average	35
	Current year to 2022/04/24	Highest	64.5
		Lowest	44.2
		Average	54.35

4.5 Employee Stock Options

4.5.1 ESO before maturity shall be disclosed to the date this report was printed and the influence on shareholders' equity:

Types of ESOP	2021 (I)	2021 (II)
Date of approval by the competent authority	2021/04/08	2021/04/08 2021/06/01
Issue date	2021/08/11	2021/10/04
Number of units issued	3,890 units	6,110 units 10,000 units
The ratio of issued and subscribed shares to the total number of issued shares	0.34100%	0.53577% 0.87688%
Subscription period	2023/08/11-2027/08/10	2023/10/04-2027/10/03
Method of performance	issue new shares	issue new shares
Restricted subscription period and ratio	40% after 2 years 70% after 3 years 100% after 4 years	40% after 2 years 70% after 3 years 100% after 4 years
Number of shares acquired (shares)	0	0
Executed subscription amount (NTD)	0	0
Number of outstanding subscriptions (shares)	3,890,000	16,110,000

subscription price per share for unexecuted subscribers (NTD)	77.2	69
The ratio of the number of outstanding subscriptions to the total number of issued shares	0.34100%	0.53577%
		0.87688%
Impact on shareholders' equity	The issuance of ESOP is to attract and retain the talents needed by the company, as well as motivate employees and enhance their centripetal force. Although the shareholding ratio of the original shareholders has been diluted, looking forward to the future, it can retain and motivate employees to create the interests of the company and shareholders. The original shareholders will also benefit from this.	

4.5.2 The names of the managers and the top 10 employees who have acquired ESO over the years to the date this report was printed, their status of acquisition and subscription of shares from the ESOP:

Employees who have acquired ESO in 2021, was publicly issued on August 11, 2021 and October 4, 2021, and the exercisable subscription period is 2023 to 2027.

2021/12/31

	Title	Name	Number of shares acquired	The ratio of subscribed shares acquired to the total number of issued shares	Executed				Unexecuted			
					Number of subscribed shares	Subscription price	Subscription amount	The ratio of shares acquired to the total number of issued shares	Number of subscribed shares	Subscription price	Subscription amount	The ratio of shares acquired to the total number of issued shares
manager	Chairman	Johnson Lee	3,290,000	0.00288	0	69.0-77.2	0	0	3,290,000	69.0-77.2	232,167,800	0.00288
	President	FY Gan										
	Chief Technology Officer	Ian French										
	Executive Vice President	Luke Chen										
	Senior Vice President	YS chang										
	Chief Finance Officer	Lloyd Chen										
	Vice President	JM Hung										
	Vice President	Mano Lo										
	Vice President/Fellow	Tung-Liang Lin										
	Associate Vice President	Jim Chang										
	Associate Vice President	Max Chen										
	Associate Vice President	Peter Peng										
	Associate Vice President	Jason Jan										
	Director	June Su,										
Director	James Huang (Note)											
staff	CTO	Huitema, Hjalmar E.	2,320,000	0.00203	0	69.0-77.2	0	0	2,320,000	69.0-77.2	163,991,400	0.00203
	AVP	Zang, HongMei										
	AVP	O'Malley, Timothy J.										

	Title	Name	Number of shares acquired	The ratio of subscribed shares acquired to the total number of issued shares	Executed				Unexecuted				
					Number of subscribed shares	Subscription price	Subscription amount	The ratio of shares acquired to the total number of issued shares	Number of subscribed shares	Subscription price	Subscription amount	The ratio of shares acquired to the total number of issued shares	
	AVP	Du, Hui											
	AVP	Kumar, Samir											
	Fellow	Telfer, Stephen											
	CBOO	Apen, Paul G.											
	DEPUTY DIRECTOR	Simon Hsin											
	SENIOR DIRECTOR	Jason Chiang											
	SENIOR DIRECTOR	David Liu											

Note: Director James Huang has resigned on August 20,2021.

4.6 The Offering of Restricted Stock: None.

4.7 Merger and acquisition, and acceptance of assigned shares from other Company for issuing new shares: None.

4.8 The implementation of the fund utilization plan: Not applicable.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Primary Business Activities

E Ink Holdings Inc., the world leader in ePaper technology, engages in the research, development, manufacturing and sale of materials and display devices related to electronic paper (ePaper) technology, e.g., FPL Film and E-Paper Display (EPD).

2. Revenue Mix

Year Product	2021	
	Revenue (NT\$1000)	Percentage(%)
Consumer Electronics	11,853,502	60
IoT and Others	7,797,062	40
Total	19,650,564	100

3. Main products and their applications

Consumer Electronics account for the bulk of E Ink's business. Applications include eReaders, Electronic Shelf Labels (ESL), eNotes, ePaper Mobile devices, and Digital Signage.

4. New Products and Services planned for development

There are five major trends in E Ink's product :

- A. To leverage the paper features ePaper to strengthen the development of reading and handwriting applications market products such as eReaders and eNotes.
- B. To leverage the low power consumption of ePaper to strengthen the development of IoT product applications such as ESL, mobile devices, smart logistics, and digital signage. There is growing acceptance of batteryless smart logistic labels as well.
- C. Continue to develop evaluation kits and turnkey solutions of ePaper to enable customers to facilitate the introduction of new products and the development of new applications.
- D. To develop and introduce new materials and processes that enhance the performance and specifications of ePaper modules to better meet market demands and increase product competitiveness.
- E. Strengthen strategic cooperation and cross-industry alliances with domestic/overseas companies, invest technology and resources together to develop the application of low-power ePaper display technology and lay down the foundation for sustainable management.

5.1.2 Industry Overview

1. Current industry trends and outlook

The development of ePaper can be traced back to the early 1970s. The "electronic ink" familiar to us today was developed at the Massachusetts Institute of Technology in 1996. ePaper technology went through a long phase of research, development, prototyping and pilot production before finally entering mass production in 2008. E Ink not only worked to ensure its continuous technological leadership, expand patent portfolio and deeply cultivating the ePaper industry, but also brought together global talents, technologies, and resources from Taiwan, China, US, and Japan to establish a comprehensive layout of ePaper technology.

Attributes of ePaper include paper-thinness, ultra-low power consumption, wide viewing angle, bistable, visible under strong light, and flexible. The potential of ePaper in applications other than eReaders has been widely recognized by the market as well. Demand for ESL continues to grow and acceptance has expanded to major retailers in Europe and US. The requirement for low-power consumption makes ESL a natural fit for IoT applications as well, so there is strong growth potential.

eReaders and eNote products for reading and writing now range from 4.3" to 13.3" (approximately A7 to A4 size) and can be used in the business and education markets. A number of customers have made successful efforts at commercializing the technology recently, including the first 10.3" color eNote and the world's thinnest 10.3" eNote. The products are now gaining more market acceptance, reflecting multiple growth in shipments.

Applications such as Digital Signage and digital walls come in two display modes: full color and

monochrome. Not only enables the traditional advertising paper to evolve into a more diversified performance, but also opens up a new market for green display technologies. Furthermore, the E Ink Prism™, a color changing ePaper has a variety of architectural applications such as digital dynamic architectural sculptures.

As the product applications and ecosystem of ePaper technology continues to develop, E Ink play a key role in the overall supply chain and remains the industry leader in terms of technology and production capacity via continuous innovation and investment of resources.

2. The ePaper Display Supply Chain

Upstream	Color Pigment, PET Film, TFT Substrate, Driving IC, PCB, Front Light Module, Touch Panel
Midstream	FPL Film, EPD
Downstream	Module Manufacturers, System Manufacturers, Brand Customers

3. Product Development Trends

(1) eReader

For eReaders, the highlight in 2021 was the release of color eReaders using the latest E Ink Kaleido™ print color ePaper technology and the increase in size from 6" to 7.8". Larger color eReaders with color content such as comics, illustrations and book covers can enhance the reading experience and add to the appearance of eReaders.

On the classic monochrome eReader, the size of the mainstream models has also been upgraded from 6" to 6.8". Advanced models were upgraded from 8" to 10.3" and handwriting support with an active stylus pen was added to extend the application range of eReaders to the workplace. Developed E Ink Kaleido™3 based on E Ink Kaleido Plus™ in early 2022 to provide the sizes of 7.8 inches and 10.3 inches, The product upgrades contributed to industry growth by encouraging existing users to get new products. We plan to invest more resources to eReader applications for Gallery™3 advanced color ePaper this year, starting with advanced models. We hope that the introduction of new technologies will take eReaders to a new level.

(2) Electronic Shelf Label (ESL)

As smart retail applications and technology becomes mature, stock management and price labeling in physical stores can completely rely on ESL technology to achieve real-time updates, achieve inventory management benefit, enhance price management and improve customer's shopping experience. Given the shortage of manpower caused by COVID-19 and rapid change of supply and demand of materials caused by inflation, product prices fluctuate rapidly. Online and offline shopping is also becoming more and more frequent. Electronic shelf labels (ESL) becomes important for realizing real-time price change, inventory management, and real-time update of all sales promotions information over cloud transmission. Unlike traditional printed paper labels, ESL can delivery real-time updates through wireless transmission from any location. It therefore offers not only better speed and efficiency but also eliminates human error on price changes. Accurate price updates can not only reduce the chance of mispricing, but also improve the speed of price response, timely update of promotional prices, and increase customer satisfaction in a very competitive market. Labor cost of replacing labels and other operating and management costs can be reduced as well. ESL is the cornerstone of digital and smart retail. In addition to in-store price displays, it can also be extended to smart inventory management and factory/warehouse logistics. As ESL can be read remotely through wireless means, access to a large amount of data, and convenient inventory management. Automatic notifications can also be sent through the back-end management system when products approach their expiration dates. When ESL is used in unmanned store, the labels placed on the product shelves can be dynamically updated and the latest product information can be displayed, which is in line with the new trend of smart retail.

ePaper offers the advantages of thins and power-saving. Not only does it have similar effect to paper but offers incredibly useful features such as enabling users to dynamically update product pricing from any location. Through wireless data transmission, ESL can perform real-time

information updates and improve accuracy and efficiency. In wholesale stores or large warehouses, ESL using ePaper technology is aligned with the automation and smart management trend for goods management.

The bistable attribute allows ePaper products to consume power only when data is written and updated, as long as the displayed data does not need to be updated. This advantage is in line with the general trend of energy saving. It also helps retailers reduce the cost of replacing traditional printed labels. Unlike LCD monitors, ePaper can view the contents of the display at 180-degrees, even if it is tilted sideways.

In addition, in order to meet the different application situations of ESL, besides the standard monochrome ePaper, E Ink also developed low-temperature ePaper for freezers, and Three Pigment ePaper (black-white-red or black-white-yellow) for special price or promotions. A low voltage ESL solution was also introduced recently. This batteryless solution is more suitable for small shops, compared with the wireless transmission in large retailer stores. No changes to interior decoration or installation of hardware is required. Only a smartphone with NFC function is required to change label content at any time. In response to end-user expectations on color ePaper, E Ink developed the 7-color E Ink Gallery Palette™ 4000 in 2020 in addition to the original black-white-red and black-white,-yellow ePaper. The new Spectra™ 3100 black-white-red-yellow e-paper was also released in 2021 to provide retailers with more diversity to their display content to boost business growth and generate better sales results.

(3) eNote

eNote retains the advantage of reading comfort and low power consumption of ePaper while adding support for handwriting. E Ink's eNote creates the product features of paper writing, and with data editing, storage and management functions, users can not only enjoy the advantages of ePaper technology but also improve the overall operation efficiency. eNote itself is super lightweight and the display panel is not easy to damage. Even the largest 13.3" (A4) products are easy to carry and preserve.

The products are targeted at North America, Europe, Japan, and China, from the initial promotion in professional and commercial applications to the implementation of the education market in recent years. Gradually realize the vision of replacing traditional paper-based written exams with eNote. The product itself is also popular with people who love consumer technology.

In terms of professional and commercial applications markets, smart office notebooks combines voice recognition, speech-to-text editing and handwriting recognition technology as a daily work-recording tool. The realization of speech-to-text while recording in eNote improves the productivity of business people and office workers. In terms of smart education market, E Ink's ePaper combines with digital handwriting technology of its technical partners to offer a solution for healthy reading, convenient writing, and smart learning in the field of education. To meet the needs of color notes and annotations, E Ink launched a new generation of E Ink Kaleido™ Plus (i.e. New Kaleido) in 2021. The new generation of color ePaper makes the graphics and text notes more rich and sharp. To improve image reading experience, E Ink launched the E Ink Kaleido™ 3 color ePaper in 2022. This new color ePaper offers 16 levels of grayscale and 4096 colors with a 30% increase in color saturation, and can present colorful notes and images simultaneously.

The number of students in basic education and on-the-job around the world are growing annually. COVID-19 has also spurred the rapid development of digital learning environments, accelerating the introduction of eye friendly eNote products. E Ink Kaleido™ Plus color ePaper modules have recently received "Paper Like Display" certification from the international certification organization Rhein, Germany. The paper like display covers reading comfort and safety. Therefore, the future development of education market in China, India and Japan is promising.

E Ink is constantly working to develop new technologies that enhance product performance, add more features, expand product portfolio, and continue to work with customers and partners to improve software functions that enhance user experience. Combined with AI features such as handwriting and speech recognition, not only applied to smart education market but also gradually introduced into smart office environments and academic seminars and conferences. At the same time, E Ink continues to promote the application of smart paper-less total solutions in professional fields such as legal, financial and healthcare industry. Steady growth is therefore expected in the eNote market.

(4) Smart Display Card

The shift in consumption towards online and mobile shopping in recent years has led to an increase in credit card fraud that damages the finances and reputation of credit card issuing agencies. Most credit card fraud comes from card-less transactions such as online shopping and non-contact payment. Since 2006, the world's major financial security product and service providers have been developing functions like dynamic display or biometrics to enhance credit card security. There are also all-in-one smart cards that can hold all of a consumer's credit cards, membership cards or reward cards on one card. Some smart cards even come with an embedded discount coupon code display function to maximize its utility and provide more value to consumers.

To combat rampant credit card fraud, many financial institutions and credit card organizations have been studying software and hardware options for providing customers with more secure credit card products. The Dynamic CVV (DCVV) credit card features an ePaper display on the back for displaying dynamic verification codes. This motion code (3-digit security code) on the back will be updated by the issuing bank once every 30-60 minutes to effectively prevent and reduce losses from credit card theft. Once credit card companies begin issuing credit cards embedded with EPDs that update their one-time motion code every 60 minutes, this should effectively prevent unauthorized copying of credit card details for online or mobile transaction fraud. As ePaper is light, compact, low-power, resistant to drops and folding, and high-contrast, it is the most suitable technology for smart card applications. Due to the popularity of the cryptocurrency like Bitcoin in recent years, another new product trend has been the Cold Storage technology with EPD to create Bitcoin wallet cards.

China has begun throwing its weight behind the introduction of the digital Renminbi (E-CNY). All the buzz surrounding the Winter Olympics suggest that cards with embedded display functionality will have tremendous future potential.

(5) Luggage/Logistic Tag

ePaper displays are bistable, reflective, low-power, readable in direct sunlight, flexible and pressure-resistant, with a viewing angle of nearly 180 degrees. Aviation and logistic industries in developed countries like Europe, the US, Japan have been investing in integrated logistic and luggage tag solutions that use ePaper as the primary display in recent years.

The aviation industry, for example, transports more than 3.5 billion people a year. Each year, lost luggage costs the airlines up to tens of billions of dollars in compensation. How to effectively track luggage while keeping manpower, energy and paper costs down has become the most pressing issue facing the aviation industry today.

The current system solution integrates EPD and wireless transmission technologies such as Bluetooth or Near Field Communication (NFC) to transmit and receive the ID code assigned to the luggage's flight. Passengers and flight details are also displayed on the tag. The system offers airlines an effective way of tracking luggage and troubleshooting problems during luggage transport.

More airline companies will join this platform in the future to effectively improve and upgrade the travel experience for all the travelers around the world together. Coupled with post-COVID-19 life changes, the contactless travel experience is faster and the demand for electronic luggage tags is also in the logistics industry. The logistic industry consumes billions of sheets of paper every year for tags. To save manpower, energy and paper as well as become greener, many logistics-related companies are looking at switching from conventional paper to EPD-based logistics tags. Wireless technology will also be integrated to create a total solution for centralized control and monitoring of goods status. ePaper luggage/logistics tags will both conserve the paper, energy and manpower needed for tag replacement. They will also allow luggage/goods to be monitored remotely to significantly reduce the overall travel/logistics time and financial costs. Their adoption by the global airline and logistics industries is only a matter of time.

Outside of logistic applications, ePaper for employee ID badges has been accepted by the market as well. Basic access control can be complemented with personnel location and movement analysis. If combined with AIoT+5G and big data, it can even be used to provide intelligent factory solutions.

The National Development and Reform Commission of China's public backing of re-usable courier packaging has created a window of opportunity for the digitization of courier way bills. Ecosystem partners are now working actively to take advantage of this opportunity by developed electronic way bills and logistics tags with Bluetooth locks that can be reused and support trusted

delivery, and strengthen the planning of pilot projects to facilitate the implementation of policies.

(6) Mobile Device

For dual-screen applications, EPD was introduced to the innovative product sector of PC Convertibles by offering a new 3-in-1 user experience that combined dynamic keyboard, handwriting and reading in 2018. This year, the embedding of EPD into the outer surface of notebook computers to provide consumers with more novel experiences caught the market's imagination. A number of form-factors were progressively rolled out for single-screen mobile phone products. Conventional monochrome display models have also been joined by mobile phones with color displays (E Ink Kaleido™).

These offer more versatility in addition to ease of carry and the reading comfort of EPD. Innovative wearable products that integrated ePaper with conventional analog wrist watches while retaining its power-less Always-on and outdoor readability attributes was introduced in the Hybrid watch sector in the second half of 2019. The release of a Hybrid lady's watch in November 2020 inspired other leading brands to announce their own products as well. In 2022, a new generation of Hybrid men's and women's watches will be released on the basis of existing products.

(7) Digital Signage

In the IoT world, where information is everywhere, the ability to provide useful and accurate information at the right moment is very valuable. Drawing on the existing strengths of ePaper, such as low-power, readability in direct sunlight and paper-like attributes, E Ink has secured a commanding advantage in the Digital Signage market.

Digital Signage has many applications in public places such as public transport, gas stations, retailers, the education industry, smart medicine, healthcare industries, museums and libraries. ePaper Digital Signage is clearly readable in direct sunlight. It can even run on solar power and be updated through the existing network without the need for complex and expensive construction. ePaper Digital Signage is ideal for installations in urban areas and suitable for installation in remote areas or places with no power lines. Environmental impact was an important consideration for commercial users and governmental agencies assessing the installation of digital signage. ePaper's exceptionally low power consumption makes ePaper Digital Signage an excellent choice as an environmentally sustainable green product. ePaper Digital Signage System's minimalist design requires no additional components such as fans or air-conditioning. It can therefore be made lighter, more compact and easier to install. Under certain circumstances, they can even be installed onto existing infrastructures. Benefits include quick installation as well as a reduction in the total cost of installation and ownership.

Digital Signage solutions are generally expected to operate over a number of years once installed. Total Cost of Ownership (TCO) is a key factor determining the Return on Investment (ROI). Owing to its extremely low cost in power consumption and maintenance as well as ease of installation, and long-term reliability, ePaper Digital Signage serves as a sustainable solution offering both low TCO and exceptional outdoor readability. Grow demand for Digital Signage plus E Ink's product advantages in the market should see it make a very significant contribution to Company revenues over the next few years.

Most of the growth in demand for Digital Signage currently comes from Asia, Europe and North America. Most signs are still static paper products for now and can only be replaced manually. Demand from signage replacement has helped E Ink establish a solid foothold in the growing digital signage market. We've also improved on the existing monochrome ePaper-based digital signage by adding more colors. The E Ink Gallery™ colorized ePaper signage available in multiple form-factors marked our official entry into the colorized market.

COVID-19 has impacted tenders for public transportation to a certain extent. Nevertheless, the energy-efficiency and portability of EPD make it well-suited for displaying public health information. Many customers now use ePaper Digital Signage to communicate quarantine measures to the population as part of the total quarantine program. E Ink partners are actively investing in a variety of different fields. Color ePaper for example has been used inside the carriages on Taipei MRT's Blue Line. Portable ePaper display systems at the Penglai Cruise Terminal can respond to changes in visitor numbers to reconfigure and optimize the pedestrian flow. These are all excellent examples of real-world applications. In addition to the rail transit case in Taiwan, there are also e-paper information boards in train cars and platforms in Europe.

E Ink partners are continuing to add value to EPD-based products. We Digital Signage applications to continue expanding and engaging in inter-disciplinary collaboration to boost our products and technologies' market profile and business growth.

4. State of competition

E Ink is now the undisputed leader in the global market for ePaper technology and products. It enjoys a very high market share in the market for EPD used in eReaders with leading global eReader brands all using E Ink-produced EPD. ePaper for Electronic Shelf Labels applications has gradually replaced LCD displays in recent years, with the penetration rate rising every year due to ePaper's attributes and advantages. In terms of EPD for eNote applications, E Ink is also the market leader here by partnering with new customers to release a variety of new products.

E Ink's long experience with managing these markets as well as our world-class research and development teams translate into an overwhelming competitive advantage in future R&D and product development.

5.1.3 Technology and R&D

E Ink continues to focus on the development of EPD products and technologies. In addition to making continued advancements to the original black and white EPD module products, we also actively invested in the commercial application of color ePaper products. Combined with the know-how in electronic shelf labels, flexible displays, and touch panels writing function, the Company has continuously released new products in the field of ePaper, which has received good market response. At the same time, we are actively expanding our production capacity to consolidate our leadership in the EPD market and maintain our sustainable and leading development in the highly competitive display industry.

In 2020, 2021 and 2022 Q1, E Ink invested NT\$2.47 billion, NT\$2.65 billion and NT\$680 million in R&D expenses, respectively.

(1) Electronic Ink Technology

Monochrome Ink Technology

For the electronic ink thin film technology platform, the E Ink Carta™ 1200 released in 2021 improved its response rate and contrast by 20% and 15% respectively compared to its predecessor (Carta 1000). The new Carta 1200 electronic ink thin film technology platform's monochrome contrast looks even more like printed paper. It supports 16 levels of gray and is capable of display render and gradient visual effects. The crisp fonts and fine visual details are clearly legible even under direct sunlight. It is thin, light, eco-friendly and can be read for extended periods. Applications include eReaders, electronic dictionaries, electronic reference books, and electronic magazines. Its fast response time makes it well-suited to eNotebook applications as well. The Carta 1200 represents the latest iteration of E Ink Carta™ technology. It can be used on all ePaper product types and sizes to improve response rate and contrast.

Color Ink Technology

- **E Ink Spectra™ 3100/ Spectra™ 3100 Plus**

The 4-color electronic ink system uses black, white, red and yellow particles to deliver vibrant colors. They can display rich, varied information and content for premium retail spaces and shelf labels. The Spectra 3100 has a faster screen refresh rate as well as a wider operating temperature range for yellow and red colors, making it suitable for the diverse application environments in retail stores. The E Ink Spectra 3100 ePaper module can also be combined with the latest all-in-one driver IC to support high-quality/high-definition electronic shelf labels (ESL) for all sizes. The E Ink Spectra 3100 Plus incorporates a whole new waveform to display the fifth vibrant color, orange. All E Ink Spectra products can integrate E Ink™ Sparkle for creating an eye-catching sparkling effect with certain graphics. This boosts exposure when cycling through promotion advertising posters and helps retailers increase the effectiveness of their product promotions.

- **E Ink Kaleido™ Plus/Kaleido™ 3**

E Ink Kaleido print color ePaper technology was developed by E Ink and features Print Color Technology. Electronic ink technology combined with color filter arrays imbues monochrome ePaper

with 4096 colors based on the RGB color-mixing principle. Further refinements were made to E Ink Kaleido Plus after its launch in 2021. The E Ink Kaleido 3 released in 2022 utilizes advanced print color technology to achieve better color performance and printing effects. The result is sharpened text and more vibrant colors; improvements included making the printed color filter array conform more closely to the electronic ink thin film. Front lighting was adjusted to minimize color mixing due to diffraction in order to provide a more sophisticated and comfortable reading experience for color digital content. It is suitable for devices that display rich visual information including tables, maps, pictures, text books and advertisements. In addition to the improvements to color performance, Kaleido 3 features the “E Ink ComfortGaze™” front light developed by the E Ink front light team. E Ink ComfortGaze™ reduces the amount of blue light reflected by the display surface to improve reading comfort. Blue Light ratio (BLR) and Blue Light Toxicity Factor (BLTF) are reduced by up to 60% and 24% respectively compared to the previous generation of front light design.

- **E Ink Gallery™ Plus/Gallery™ 3**

The E Ink Gallery range uses four colors of electronic ink particles (cyan, red, yellow, white) and voltage control to dynamically mix particles and colors for a full-color display. E Ink Gallery was released in 2019 and its family gained two new members “E Ink Gallery Plus” and “E Ink Gallery 3” in 2022. E Ink Gallery Plus uses an all-new color ePaper driving waveform to improve color contrast by 40% compared to the original E Ink Gallery. E Ink Gallery Plus is intended for indoor commercial signage in department stores and restaurants. It can also be used for public signage and information displays in mass transit systems, airports and similar fields to improve the color contrast of color ePaper and gives images more depth. The result is dynamic color posters with a greater visual impact. E Ink Gallery 3 focused on improving page turning speed and display resolution. The page turn speed for monochrome text on E Ink Gallery 3 was improved to 350 ms. The refresh rate for color displays was greatly improved as well to 500ms in fast color display mode, 750 to 1000ms in standard mode, and 1500ms in optimal mode. This was a clear improvement over the 2s refresh time for monochrome displays and 10s refresh time for color displays of the first-generation technology. Resolution was increased from 150 ppi to 300 ppi and operating temperature expanded to become 0 to 50°C. This aligned with the operating environment and product specifications of eReaders based on monochrome ePaper. E Ink Gallery 3 supports digital handwriting too. Writing delay is as little as 30 ms and several colors of handwriting are available in addition to monochrome. At the same time, E Ink ComfortGaze™, the latest front light technology developed by E Ink, was adopted by E Ink Gallery 3 as well. Reducing the amount of blue light reflected off the surface of the display delivers a digital reading experience with low blue light and vision health. E Ink Gallery 3 is suitable for eReader and eNotebook market applications.

(2) Color Changing Film for Architecture and Art Design

E Ink Prism™ is a dynamic color display technology that emerged from efforts to diversify ePaper applications. It offers a very promising alternative to conventional display technology. In addition to its ability to present static displays while consuming no power, E Ink Prism™ can also support dynamic presentations. When coupled with motion sensing, E Ink Prism™ can completely transform a lifeless space into a unique interactive environment. E Ink Prism™ is totally programmable, giving content providers and designers more creative freedom. It is totally reflective to provide a natural visual experience akin to that of prints or artworks. Only a tiny amount of power is needed for transitions in visual effects allowing it to dispense with power sockets.

(3) Flexible EPD

E Ink Mobius™ is a flexible EPD with flexible plastic backplanes of either amorphous silicon or organic TFT. It can be integrated with plastic laminates to create portable plastic displays that are flexible, lightweight, shock-resistant and resistant to breakage. Flexible EPD allows customers to integrate conformal elements into the product design leading to end products with unique design and function. The technology has now been widely adopted in the market.

Wrappable EPD modules with plastic backplanes are difficult to shatter and far lighter than glass. They are also thinner and lighter than existing e-paper with glass backplanes, an important feature for larger products. Flexible EPD is a prerequisite for the development of foldable ePaper technology.

(4) Front Light and Touch Panel Technologies

Reading under dim light is a common requirement of eReaders. The integration of front light

by E Ink makes e-books comfortable to read even at night. In addition, the color-temperature-modulation technology we developed for the front light has now been adopted and put into production by our customers. This provides convenience with greater convenience through e-book technology and increases the diversity of ePaper applications.

For ePaper touch panels, capacitive touch technology is currently the most frequently used. Still, E Ink is actively working with partners to develop different types of touch control modules to increase product performance and utility. A new development is the ePaper module that integrates active stylus technology. It can be read like paper but can also allow electronic files to be written and annotated more easily. It provides an even more practical substitute to conventional books.

(5) EPD with Energy Harvesting Technology

The ultra-low power consumption feature of EPD makes it possible means it can be powered using wireless harvesting technology. The small amount of the electricity generated by wireless transmission is sufficient to drive and refresh the EPD without a battery.

For short-distance applications, EPD modules can be used in eWallets, electronic IDs, as well as luggage tags and smartwatches with a NFC receiver. Long-range applications include transportation application systems, retail ESL, logistic/luggage tags, warehouse automation systems, or even smart cards, smart homes, eBulletins, and digital signage applications.

5.1.4 Long- and Short-Term Business Development Plan

1. Short-Term Business Development Plan

- (1) To follow the current product roadmap on the promotion of standard products, performance upgrades for existing products, and provision of total system solutions.
- (2) To secure adoption by more leading international vendors through better product quality and more comprehensive manufacturing services.
- (3) To establish local support systems as well as strengthen distribution channels for customers in the US, Europe, China and Japan.
- (4) To establish an ePaper ecosystem, expand FPL sales channels and work with more display module vendors to expand ePaper applications
- (5) To establish ePaper-related ecosystems: Work with more ecosystem partners to develop ePaper driving IC and with TFT backplane vendors to develop more ePaper applications.

2. Long-Term Business Development Plan

- (1) In addition to focusing on the research and development of advanced technologies such as Advanced Color, E Ink Spectra™, Print Color, Foldable and Low Power, upgrade our production processes, and continue to invest in developing a comprehensive patent portfolio that maintains our technological leadership.
- (2) To continue promoting new application markets and cultivate the ecosystem. We will integrate the upstream and downstream industries to jointly develop products and applications that are even more complete and have greater value.
- (3) To build a highly-efficient marketing and operating model that integrates marketing channels, products, research and development, and production into a seamless team that will effectively support commercial development to achieve a win-win outcome for E Ink and customers.

5.2 Market, Manufacturing & Sales Overview

5.2.1 Major Markets

Region	2020		2021	
	Sales Amount	%	Sales Amount	%
Taiwan	1,307,137	9	1,081,494	6
Asia	12,693,107	83	17,125,558	87
America	1,291,992	8	1,390,060	7
Others	70,619	-	53,452	-
Total	15,362,855	100	19,650,564	100

5.2.2 Market Share

ePaper is a part of the display industry. E Ink is currently the only vendor capable putting ePaper technology into mass production while maintaining a consistently high level of quality and this has translated into a large share of the global ePaper market.

ePaper products on the market have become increasingly diversified. In addition to established products such as eReaders and Electronic Shelf Labels, the growing maturity of other product applications such as eNotes, luggage/ logistics tags, logistics boxes, reusable containers, medicine box labels, bedside patient cards, and ePaper display systems in recent years have become important sources of growth for ePaper as well.

Through the introduction of larger and colorized ePaper products, battery-free and handwriting technologies, and the wealth of new, diverse products from ePaper ecosystem partners, E Ink hopes to expand the reach of its products into new fields and increase its market share in different applications.

5.2.3 Market Supply, Demand and Growth

The transition to different contactless economy and behavior models saw the world gradually move into the post-COVID-19 era during 2021. Distance commerce and education are beginning to be accepted by people as the new norm. The digital transformation is continuing and has inspired even more innovative applications. These changes also spurred the development of ePaper applications in online/offline education, hybrid offices, physical retail operations with low manpower requirements, and contactless green logistics.

The nature of e-books means they can transcend national boundaries and support one-touch purchase/reading. The pandemic saw a continued increase in e-book penetration. eReader vendors released a number of new models in response to market demand during 2021 so this boosted the quantity of ePaper shipments. E Ink also launched the E Ink Kaleido™ color ePaper to provide an enhanced color reading interface that helps customers grow their market by offering end consumers a more comfortable and color-rich reading experience.

There was also a clear trend towards the inclusion of a handwritten note-taking function and larger form-factors in eReaders during 2021. From being a replacement for books, ePaper can now become a replacement for paper as well that users can use in tele-working, paperless learning/research scenarios/applications.

The outstanding energy efficiency and environmental friendliness of ePaper are all advantages that can be put into good use in the digital transformation of factories. E Ink partnered with system integrators to combine ePaper with smart manufacturing solutions such as employee ID cards, ePaper process cards, ePaper checklists, and warehouse management labels. The ease of installation in design expedites introduction streamlining the process for realizing paperless smart factories with improve productivity. Extensive use of E Ink ePaper during manufacturing over paves the way to smart manufacturing with green factories that have net zero carbon emissions.

In the transportation sector, continued developments in smart city meant that providing public information in a more timely and accessible manner while maintaining a balance between environmental protection and urban aesthetics is now a key challenge for sustainable smart cities. Even as cities strive to provide the general public with information in a safe and proper manner, they must also take into account the carbon footprint and power consumption of smart transportation solutions. Reflective ePaper do not emit light and have very low power consumption. ePaper display systems can therefore be combined with solar power or other renewable energy systems instead of having to be connected to the grid or by power cables. The ability to place ePaper display systems anywhere and wireless connectivity means they can be considered a zero-carbon device. The result is an environmentally friendly digital signage solution with no light pollution or carbon emissions.

E Ink's ePaper products have now been deployed at thousands of domestic and overseas transportation and public spaces. They include smart bus stop signs, public information boards, parking meters, parking signs, and fuel price signs. ePaper's low power consumption and continuous display with no power consumption can also be used to create a variety of indoor applications such as the handle straps with color advertising, full-color ePaper advertising displays and information displays in the carriages of mass transit or hybrid-powered trains.

Businesses in different fields are being gradually won over by the characteristics and advantages of ePaper display systems. The smart signage solution for crowd control that the Penglai Cruise Terminal at Kaohsiung Port recently introduced for example incorporated E Ink's portable colorized signage and large stitched monochrome ePaper signage. Builders in Japan have even started replacing construction site information signs with ePaper signage. The ongoing COVID-19 pandemic meant that ePaper display systems are being used for public signage showing epidemic control and health education information due to their ultra-low power consumption, wireless power, wireless connectivity, portability, and grid-independence.

In smart retail (new retail), COVID-19 accelerated the digital transformation of physical stores with many leading international retail chains adopting ESL and its accompanying software system on a large-scale. Small and medium-sized retailers following their example helped boost penetration in the retail field. Combining ePaper with shelf labeling systems enhanced the sustainability, overall business efficiency, and accuracy of pricing changes in the retail field. The energy-efficiency of ePaper also helped retailers realize the sustainability goal of zero carbon emissions. ESL systems do not require labor-intensive switching and proofing of printed labels. For store staff this translates into less contact risk and time spent moving between fields. When a price management system is also deployed it helps store overcome manpower shortages and achieve total integration of online and offline marketing for all channels.

The E Ink Spectra™ 3100 product series released by E Ink in 2021 supports four colors (black, white, red, yellow) while delivering high color contrast as well as vibrant reds and yellows. The E Ink Gallery™ supports the full color gamut while E Ink Gallery Palette supports seven colors making them suitable for product advertising or promotional displays. The E Ink Sparkle™ function increases consumer interaction and attracts consumer attention. ePaper has therefore expanded beyond the ESL and into the retail field through ePaper display systems.

More stores in the West, Japan and China have now adopted ESL. Southeast Asia and emerging markets are now beginning to introduce ESL solutions, so there should continue to be a healthy supply-and-demand in the global market.

Epidemic prevention and control boosted the growth in e-commerce and perishable logistics but this also meant the use of more packaging and consumables. The jump in packaging-related trash negatively impacts on the Earth's environment. In response, national governments and industry vendors have become calling for the use of reusable logistics or common boxes that reduce the environmental damage from the mass consumption of disposable packaging. The use of low-carbon ePaper as the information display interface for reusable and logistics boxes effectively reduces the use of printed labels. ePaper also overcomes conventional printed label weaknesses such as susceptibility to loss or damage, and incompatibility with digital transformation. Benefits included improved logistics efficiency, green logistics packaging, and reusable smart labels. The result is a cooperative logistics business model for reducing paper carton waste together and realizing the goal of circular use. For example, E-Ink and a European partner created a reusable packaging solution that can each be used around 1,000 times. The material can also be reclaimed and recycled. Sender or recipient details are displayed on the product's ePaper display. It is hoped that this reusable and recyclable product can be rolled out to more e-commerce and logistics customers in the future.

In brand promotion, the lifting of government restrictions on marketing events and physical exhibitions led to the restarting of international business activities in 2021. E Ink implemented a total approach to external marketing channels and resources that integrated physical and online marketing efforts to generate synergistic marketing. A continuous campaign was conducted to promote the E Ink brand, ePaper technology and related applications. Cooperation on digital marketing within the ePaper ecosystem was strengthened as well. Joint campaigns were organized using customer's marketing resources so that target customers and the general public can learn about ePaper technology and its attributes even if they can't take part in physical marketing events. Raising the profile of the E-ink brand and technologies served to boost business growth.

The E Ink marketing message in 2021 focused on ePaper's energy efficiency and eye comfort characteristics. Emphasis was also placed on the advantages it offers in different usage scenarios, as well as how ePaper technology is helping different fields and applications realize their net zero carbon emissions target more quickly. Content marketing channels encompassed the global E Ink website, reference design marketing website, different online communication platforms, social media management, online exhibitions and webinars, and online catalogs.

The digital marketing platform was overhauled in 2020 and in 2021 a new Virtual Showroom function was also added. The virtual showroom allowed people and vendors unable to attend physical exhibitions in person with an online option for learning about advances in ePaper technology as well as its applications and usage scenarios. Rich multimedia content was produced for broadcast on well-known multimedia platforms (YouTube, Bilibili, Youku) for example. Other tools including webinars, online white paper, and online applied research reports were used for trans-national and inter-disciplinary marketing online. Key social media such as WeChat, FaceBook, LinkedIn, Twitter, and Instagram were used to promote ePaper knowledge and applications through localized communications.

5.2.4 Competitive Advantage

A Great Leap Forward in Color Technology

In 2021, E Ink continued to develop color technology, introduced different color ePaper display technologies for different markets and applications, provide end-users with multiple color choices, and form the potential of simultaneous operations of different color ePaper technologies in the same field. In addition to the improvement of color, E Ink's special drive waveform can create animation-like visual effect (E Ink Sparkle) when turning pages, so that the process of page changing are eye-catching and pleasing, and becomes a behavior of communication with viewer. In this way, we can convey more information and break through the stereotype that color ePaper takes a long time to change pages and has

uncomfortable vision.

For retail market: In response to market demand, such as for more information (more colors), more energy saving and in line with ESG sustainability requirements, and optimization of image display process, E Ink launched the Spectra 3100 technology with 4 colors (black, white, red, yellow) and in 2022, launched the E Ink 3100 Plus technology. It offered saturated colorful four-color and five-color options respectively, providing ESL (electronic shelf label) suppliers and retailers with more flexible and rich displays and color combinations. At the same time, we also developed the Spectra 3100 All-in-One Driver IC to enhance refresh rates and font edge sharpness, and optimize the image display process for greater power savings.

Aiming at the e-book reading and digital writing technologies market, E Ink has advanced its color printing ePaper display technology, launched E Ink Kaleido Plus in 2021, and successively released E Ink Kaleido 3 and E Ink Gallery 3 color ePaper technologies in 2022. Color ePaper technology has been introduced for the first time into digital reading and handwriting applications, significantly enhancing the reading and shopping experience of eBooks. At the same time, color documents can be read and edited in e-notebooks., providing a new type of reading device for color digital content, bringing new stimulation and revolution tide to the digital market. E Ink Gallery 3 greatly improves the page-turning speed of color ePaper displays to 1 second, which is equivalent to the page-turning speed of monochrome ePaper used in traditional eBook readers. The operating temperature also meets the application specifications of eBook readers and is suitable for displaying colorful digital content such as picture books, textbooks and magazines. In addition, the technology integrates digital handwriting and touch functions to create a full-color e-notebook that enables color digital note-taking and drawing functions. E Ink Kaleido 3 enhances color saturation and brightness by 30% compared to the previous generation by optimizing the structural design of the ePaper module, and enhances the clarity of visual perception. With its warm color display performance, E Ink ComfortGaze front light technology reduces the amount of blue light reflected from the display surface. It is suitable for displaying rich graphical information such as tables, maps, pictures, textbooks, and advertisements, It can be used in smart education and digital reading devices.

For the digital signage market, E Ink Gallery Plus uses E Ink ACeP™ full-color ePaper display technology to achieve full color display by using cyan, magenta, yellow, and white color electronic Ink particles to dynamically combine particles and mix colors through voltage control. The all-new color ePaper driving waveform architecture (Waveform) to enhance the color contrast of the full-color ePaper, making imaging more three-dimensional and provide more visual impact of dynamic color printed poster effect. Especially in the face of the global moving towards sustainability, ePaper signage is the only digital signage in the market that can be driven by solar panels in the market at present, so that the device designed by ePaper signage becomes an independent zero carbon device and an important digital display technology for the development of smart city.

Development of Touch, flexible and other functional materials

With E Ink officially starting the color page era in 2020, in order to meet the needs of color content with higher resolutions, color saturation, and better visual sense and experience, E Ink launched the self-developed On-Cell touch control ePaper module in 2021, which can be applied to monochrome and color ePaper display module. The E Ink on-cell touch monochrome ePaper display module can increase the contrast between black and white by 30% to improve legibility. E Ink Kaleido™ Plus color contrast is improved by 40% and color saturation by 15% to deliver a richer and more complete color range for eBook contents. On-Cell touch ePaper module is cost-effective and is suitable for eReaders, eNotes, children's illustrated books and other end-user applications as well as glass and flexible ePaper TFT modules.

E Ink continues to improve the flexible characteristics of ePaper, and also actively invests in the development and manufacture of flexible materials. We also invest in 8" E Ink Gallery 3 full-color flexible ePaper display with new flexible material, stacked design and front light design, with a curl radius of up to 10 mm as well as 8" foldable full-color ePaper display with a curl radius of up to 4 mm. E Ink aims to create a more portable ePaper application with forward looking technology, targeting the future digital education and digital reading markets.

With the development of flexible displays, E Ink has also heavily invested in the development of functional materials of Polyimide (PI), a key film material, including PI varnish and transparent PI roll films. The high temperature resistance of yellow-brown PI varnish can be used in the LTPS process, which is suitable to replace glass as TFT circuit substrate material with low expansion, and shrinkage and bending resistance. The transparent PI roll film has optical grade penetration, and is an indispensable functional film material for flexible touch production. The PI materials developed by E Ink can be used in flexible ePapers, organic light-emitting displays such as PMOLED, AMOLED, OLED Lighting, LCD monitors, touch modules, digital radiography (DR) and thin-film solar cells.

Monochrome electronic ink film

On the black and white electronic ink thin film technology platform, Carta 1200 was released in 2021 with response rate and contrast higher by 20% and 15% respectively than the previous generation of Carta 1000, which is very suitable for eNote applications. Carta 1200 is advanced based on the E Ink Carta technology, which can be applied to the full range and size of ePaper to improve the response rate and contrast. In 2022, the Company will move towards high resolution technology so that the future ePaper display modules will reach higher resolution, providing more options for the market and customers according to their product plans.

Product Sustainability and Competitiveness

E Ink's goal of ePaper is to replace disposable printed paper and become a green and sustainable surface of net-zero product. As the industry goes digital, the accelerated adoption of low-carbon, dynamic display, and paper-like ePaper devices will not only reduce the consumption of more environmental resources, but also helps to significantly reduce CO₂ emissions and increase the contribution to environmental sustainability. For example, ePaper bus stop sign powered by solar energy alone, such as 64,000 bus stops installed in Taiwan's major cities can save 40,000 metric tons of carbon emissions per year compared to traditional LCD signage. In the past seven years, about 600 million 3 inch ESL have been installed. If the price information is changed four times a day, the CO₂ emissions generated by using paper labels are 32,000 times higher than those of single-use paper price labels. Over the past five years, about 130 million eReaders have been used worldwide, replacing the purchase and reading of printed books with digital reading. If 130 million eReaders download an average of 10 books per year, reading a printed paper book or LCD tablet to read content will generate 100,000 times and 50 times more carbon dioxide emissions. In addition, ePaper display technology is currently the only low-light pollution display technology certified by the International Dark-Sky Association. Many cities around the world have set up light pollution control laws, and only 19 states in the U.S. have enacted light control law. ePaper display technology has become the best green display technology in the digital transformation process of cities and businesses.

5.2.5 Favorable/Unfavorable factors for long-term development and countermeasures

Growing global awareness of sustainability development has increased, and the manufacturing industry is actively taking low-carbon and sustainable materials into consideration in production and procurement. ePaper is an energy-saving, green, and low-carbon technology, in line with the principle and requirements of sustainability, is conducive to the promotion and introduction of ePaper.

Sustainability development must also reduce the use of disposable paper to reduce logging and slow global warming. ePaper can replace disposable paper and present information in a paper-like, blue-free, eye friendly, ultra-low power consumption interface. It can be reused and provide real-time display information. It can therefore help industries engage in digital transformation to reduce paper consumption, power consumption and carbon emissions.

Favorable factor: Demand for eye friendly displays

The COVID-19 pandemic caused distance working and learning. The time users spend in front of the screen increases dramatically, causing common problems such as sore eyes and eye disease. People have come to realize that prolonged viewing of light-emitting displays is a heavy burden on the eyes, which may lead to adverse effects such as sleep disturbance, headache and irreversible vision damage for students. All kinds of products marketed as eye protection, such as low-blue light displays and blue-resistant glasses. ePaper is a reflective display that does not emit light. It has also received a Paper Like Display certification from Rhein, Germany. It is a friendly interface that replaces printed paper and supports e-learning, which has advantages in the post-epidemic era.

Favorable factors: Digital transformation

The development of IoT and smart city is the long-term trend of the future market, promoting the rapid increase of all kinds of connected devices in business and life. When everything is connected, the display screen will act as the communication interface between people and devices. ePaper's bi-stable and reflective technology display characteristics of ePaper, different from the general light display technology.

It can maintain zero power consumption if you do not change the page. It reads and writes like paper, and can eliminate excessive power consumption and environmental light damage. Long-term use can significantly reduce energy consumption and help industries achieve a green digital transformation.

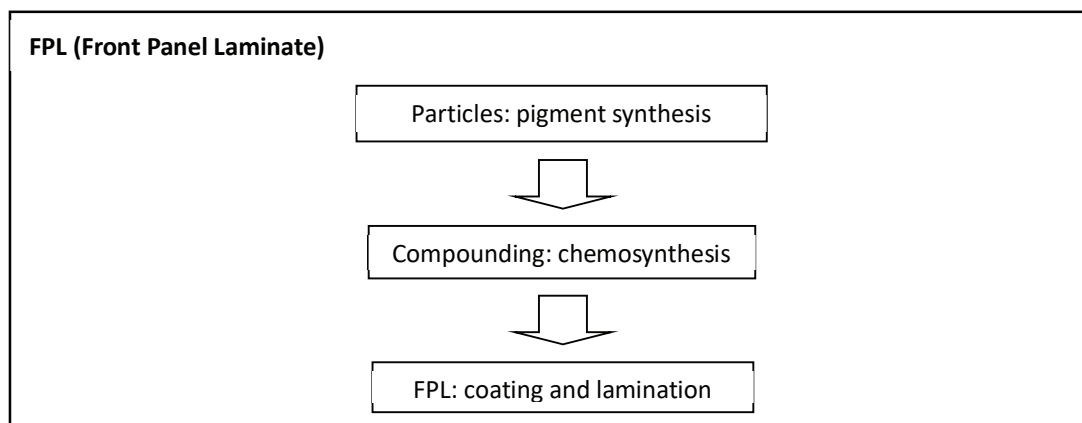
Unfavorable factors: “Rapid Changes in Global Supply Chain”

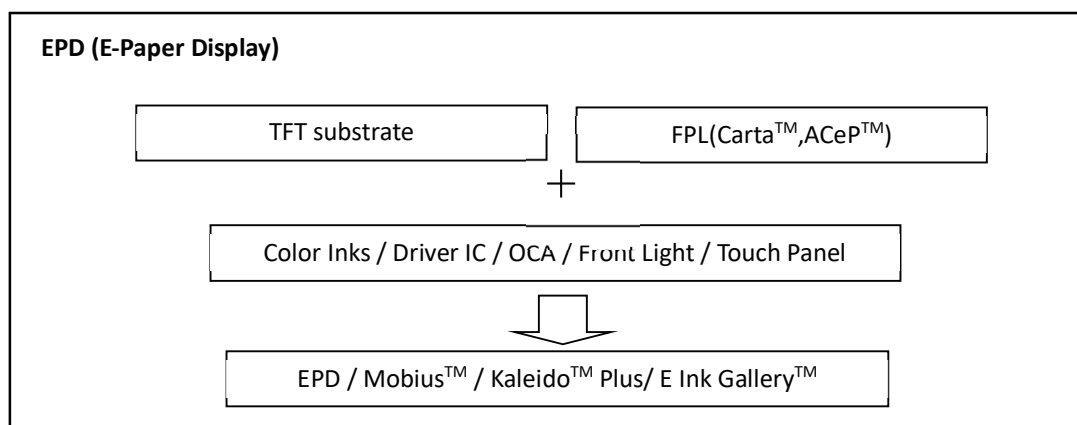
Due to the continuing strong market demand in ePaper, in addition to increasing capital spending to expand capacity to respond to the situation of insufficient capacity. In response to the management complexity arising from the post-COVID restructuring of the global supply chain, Efforts are also being made to enhance the transparency of the supply chain, increase diversity and interchangeability of suppliers and transportation networks, improve the overall resilience of the ePaper supply chain, as well as reduce production complexity and risks. Production costs will also be reduced through increasing automation. In addition to ensuring the effective improvement of ePaper film production capacity and yield, we also deepen our collaboration with material partners to ensure that production capacity and quality meet market demand.

E Ink is committed to building an ePaper ecosystem, realizing diverse intelligent application fields, and promoting the popularization and diversified development of low-carbon ePaper applications by combining software/hardware vendors and upstream/downstream supply chains of various application industries. The ePaper Industry Alliance (EPIA) was founded in December 2020 and has more than a hundred members by the end of 2021, showing corporate rapport and consensus within the industry ecosystem. Green, low-carbon ePaper along with digital development policies will continue to deepen the applications of e-book reading, new retail, education, transportation, health, industry, civil aviation, logistics, and offices and other fields. In turn, we will continue to move towards a vision of smart living and sustainable cities.

5.2.6 Application and production processes of key products

1. Application
ePaper Display is mainly primarily used as a display device designed for the delivery/presentation of information transmission.
2. Production process
The ePaper Display production process is divided into two stages: Front Panel Lamination (FPL) and ePaper Display (EPD). EPD production process is to laminate and assemble the FPL and TFT substrates with other electronic components, including driver IC, optical film, and touch panel, followed by ePaper display inspection and measurement of optical properties and other processes.





5.2.7 Supply status of key raw materials

E Ink's main raw materials include TFT back panel, touch panel and driver IC. Each of these raw materials has at least two primary suppliers. The Company has maintained a close relationship with the supplier for stable supply after the raw material certification. In addition to fully controlling the source of goods and the quality and delivery date, E Ink can minimize the risk of material shortages.

5.2.8 Major Suppliers and Clients

A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Year Item	2021				2020			
	Company Name	Amount	Percentage of the annual net purchase (%)	Relation with Issuer	Company Name	Amount	Percentage of the annual net purchase (%)	Relation with Issuer
1	A	1,834,635	17	None	A	1,080,971	16	None
2	G	1,198,520	11	None	E	776,419	11	Associate
3	H	1,108,722	10	Associate	D	670,848	10	None
4	Others	6,677,579	62		Others	4,364,108	63	
	Total	10,819,455	100		Total	6,892,346	100	

B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Year Item	2021				2020			
	Company Name	Amount	Percentage of the annual net purchase (%)	Relation with Issuer	Company Name	Amount	Percentage of the annual net purchase (%)	Relation with Issuer
1	I	3,992,846	20	None	I	3,272,851	21	None
2	F	2,400,599	12	None	P	2,338,399	15	None
3	P	2,251,754	11	None	F	2,041,121	13	None
4	Others	11,005,365	57		Others	7,710,484	51	
	Net Sales	19,650,564	100		Net Sales	15,362,855	100	

5.2.9 Production in the Last Two Years

Unit: NT\$ thousands

Output	Year	2020			2021		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products							
Monitors		37,917	20,536	7,188,841	42,474	25,640	9,789,229

5.2.10 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales Major Products	Year		2020				2021			
			Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount		
Consumer Electronics	706	1,043,790	8,228	9,205,670	792	855,229	9,524	10,998,273		
IoT and Others	297	263,347	33,607	4,850,048	339	226,265	22,933	7,570,797		
Total	1,003	1,307,137	41,835	14,055,718	1,131	1,081,494	32,457	18,569,070		

5.3 Human Resources

Year		2020	2021	As of April 24, 2022
Number of Employees	Manager level	357	291	288
	IDL(non-manager)	1,078	1,207	1,235
	DL	653	755	803
	Total	2,088	2,253	2,326
Average Age		39.44	39.48	39.66
Average Years of Service		7.57	7.59	7.22
Education	Ph.D.	4.41%	4.22%	3.91%
	Masters	22.61%	21.84%	21.32%
	Bachelor's Degree	43.68%	46.34%	47.21%
	Senior High School	17.05%	19.97%	20.25%
	Below Senior High School	12.26%	7.63%	7.31%

5.4 Information on environmental protection expenditure

Loss from pollution to the environment (including the compensation) and penalty in the most recent year to the date this report was printed, explain the policy in response in the future (including corrective action plan) and possible expenses (including the estimated amount of possible loss, penalty and compensation due to the failure of the remedy. If estimation could not be reasonably estimated, explain with evidence):

5.4.1 Loss from pollution to the environment in the most recent year to the date this report was printed: none.

5.4.2 Remedy and possible spending in the future: Intensify the matching between the environmental protection permission documents and the practice of environmental protection on shop floor, and implement the proper change in the management program for facilitating audits.

E Ink treasures issues pertinent to environmental protection. Further to the effort in anti-pollution, the Company also duly observes domestic laws governing the standard of emissions, retains qualified waste disposal and treatment plant for handling wastes, assures the proper classification of wastes, and upgrades the recycling rate of resourceful wastes. The Company also follows the environmental protection files in setting up facilities for the treatment of air and water pollutants in conformity to the emission standards governed by applicable laws in Taiwan. There is no other expense further to the aforementioned expenses incurred from the maintenance and operation of the environmental protection facilities.

5.5 Labor Relations

5.5.1 Employee welfare and benefits, training, development, retirement scheme and its implementation, labor-management agreements, and protection of employee rights:

1. Employee welfare and benefits

- (1) Employee benefits are managed by the Employee Welfare Committee. Social events are organized on a regular basis to help employees recover from the stress of work.
- (2) In addition to labor insurance, E-Ink employees also receive additional layers of protection through group life, accident, medical and cancer-prevention insurance, national health insurance and regular health exams.
- (3) The Company budgets for employee education and training every year to help employees improve their management and professional skills as well as provide employees with a personalized career development plan.
- (4) To build a people-centric management system, management rules are revised when necessary

based on labor standards and changes in the business environment.

- (5) Reasonable compensation and incentives are provided to recruit competitive workers.
- (6) Clear career paths are provided for outstanding personnel.
- (7) Regular labor-management meetings are convened for employee communication.

2. Employee education and training

E-Ink employees are considered the company's most important asset. A strong emphasis is placed on talent cultivation and training. Various education and training methods are offered to satisfy the learning requirements of employees. Comprehensive educational resources and a sound learning environment are provided so that employees can improve their core skills and continue to raise the overall standard of the workforce.

E-Ink introduced the "E Ink University" e-learning system in 2018 to develop a learning roadmap for people in each field and provide them with specialized training programs. Training courses are divided into the five following categories:

- (1) Orientation course: Compulsory training for everyone in the company that covers an introduction to the company, corporate image, company products and principles, personnel management rules, employee benefits, business code of conduct, and labor safety education and training.
- (2) General knowledge course: Help teams develop their core competency and provide progressive learning courses for people of all ranks.
- (3) Professional course: Cultivate key talents and boost the organization's competitiveness through talent development. Knowledge management is implemented through a combination of e-learning platforms and internal professional training. The mapping of the professional skills required for each role was completed in 2021 and a continuous learning environment is cultivated through mentoring.
- (4) Management course: Management training is based on the need for competency development and targeted at managers' areas of weakness. The courses cover presentation skills, cross-cultural communication, management skills, unit performance management, and task management.
- (5) Production line personnel training: Provides technicians on the production line with the required knowledge and testing to qualify as machine operators. These include: Introduction to FPL/TFT/EPD Defects, front-end/back-end machine operator certification training, training on protection against ionizing radiation, as well as clean-room management rules and testing.

3. Employee Code of Conduct or Ethics

E Ink has always embraced a philosophy of "putting people first." In addition to respecting our employees for their expertise, we also provide them with a stage where they can truly show-off their talents. HR must therefore provide new employees with the relevant company rules upon arrival and ask them to live by those rules.

4. Employee safety and health

The "safety" and "health" of employees has always been a key issue for E Ink. We've not only received international certification on OHSAS 18001 Professional Safety and Health Management System but also received international certification on the ISO 14001 Environmental Management System. For employee health management, employee health exams are conducted on a regular basis as required by law. Coverage of the health exams exceeds mandatory protections for worker health.

5.5.2 Retirement scheme and its implementation.

The employee retirement rules were developed based on the "Labor Standards Act" and "Labor Pension Act". Monthly contributions are made to the pension preparatory fund at the Bank of Taiwan in accordance with the "Labor Standards Act". Employee pensions are paid directly to their personal account as required by the "Labor Pension Act." The new and old pension systems above are both carried out in accordance with the law.

5.5.3 Labor-Management Disputes:

- 2021/5/4、2021/8/10: The New Taipei City Labor-Management Mediation Company has approved overtime pay and severance pay according to law.
- 2022/3/1: Hsinchu Science and Technology Bureau mediation the company has handled labor complaints according to internal procedures.

The company's measures and regulations on labor relations are implemented in accordance with relevant laws and regulations, and there is no loss of the company.

5.5.4 Estimation of current and potential future losses suffered by the company due to labor-management disputes in the last two years and up to the publication of this report, and the measures taken in response:

None.

5.6 Cybersecurity Management

5.6.1 Cybersecurity risk management framework:

The Company's cybersecurity is currently the responsibility of the MIS Infrastructure Systems Department. This encompasses the planning of internal cybersecurity systems, the devising of cybersecurity regulations, the implementation of cybersecurity policies, strengthening of cybersecurity awareness among employees, the introduction of cybersecurity protection and control systems, as well as the implementation and enforcement of cybersecurity operations. Adjustments are made in response to actual conditions as necessary.

Cybersecurity performance is audited by the Audit Office. If any deficiencies are identified during an audit, the audited unit is required to develop an improvement plan. The plan is then reported to the Board of Directors with regular follow-up on improvement progress to reduce internal cybersecurity risks. Audits are conducted at least once a year.

A dedicated cybersecurity department will be established by the Company in 2022 as required by law. The new unit will take over responsibility for the planning of cybersecurity systems, the devising of cybersecurity regulations, the implementation of cybersecurity policies, strengthening of cybersecurity awareness among employee, as well as related supervision and auditing affairs.

5.6.2 Cybersecurity policies

5.6.2.1 Cybersecurity goal:

The purpose of cybersecurity is to maintain the high availability of corporate information systems, the security of the information environment, protect the company's business secrets, and prevent unauthorized usage, compromise, tampering and damage of corporate information systems and data. By maintaining our competitive advantages, the Company will secure the trust of our customers and engage in sustainable development.

5.6.2.2 Scope of cybersecurity:

- (1) Cybersecurity awareness and training of personnel: Personnel management, cybersecurity education and training, promotion of cybersecurity policies, and strengthening of cybersecurity awareness.
- (2) Physical and environmental safety: Operation and management of back-end systems as well as the cybersecurity controls of front-end equipment.
- (3) Network security controls: Wired network management, wireless network management, extranet-to-intranet access management, intranet-to-extranet access management, and customer/supplier data exchange management.
- (4) Access control security: User account management and access control for IT end-user devices.
- (5) Emergency response mechanism for IT system incidents.
- (6) IT system continuity plan management.
- (7) Information security audits. (Audit Office)

5.6.3 Concrete management programs, and investments in resources for cybersecurity management:

Item	Concrete management measures
Personnel management system	<ol style="list-style-type: none"> 1. Employee authority, responsibility and prohibited behaviors are clearly defined in company regulations. 2. Orientation training for new employees includes training on cybersecurity and confidentiality awareness. 3. The duty of employees on the maintenance of cybersecurity and confidentiality are explicitly stated in their contract. 4. Announcements are issued on an ad hoc basis to remind employees on the importance of working together to maintain cybersecurity. 5. The consequences for illegal use of computer accounts and e-mail are spelled out to employees.
Physical environment management	<ol style="list-style-type: none"> 1. Follow standard operating procedures to ensure that there are no problems with the operating environment of server rooms. 2. Set up a secure and reliable data center through the establishment of comprehensive monitoring mechanisms and following proper operations & maintenance.
Information system redundancy, verification, and restoration	<ol style="list-style-type: none"> 1. Introduction of suitable backup system and monitoring mechanism with regular backups and reports on all information systems.

	<ol style="list-style-type: none"> 2. Established a sound disaster recovery exercise and data verification mechanism to ensure the integrity of backup data and operator familiarity. 3. Established off-site backup system for critical information systems such as SAP ERP and critical databases.
IT end-user device controls	<p>Clearly defined management regulations and security control mechanisms for the Company's IT end-user devices:</p> <ol style="list-style-type: none"> 1. Employees are informed of company rules, restrictions and prohibitions on the use of the business and personal IT devices. 2. Selection of fully functional anti-virus software with automatic updating of virus libraries to reduce the risk of virus infection and malicious attacks. 3. Introduced end-user device control system for effective control of connected devices and network/cloud services to reduce the risk of confidential company data being leaked onto personal devices. 4. Ad hoc patching and updating of operating systems and application software.
Network security controls	<ol style="list-style-type: none"> 1. Introduction of end point node cybersecurity control system to effectively block intranet access over the wired network for non-company IT devices. 2. Introduction of wireless network cybersecurity management system to effectively block intranet access over wireless networks for non-company IT devices. 3. Establishment of joint defensive network of group firewalls to effectively block malicious attacks from external networks. 4. Devised network access control polices with strict management rules and approval procedures for intranet-to-extranet access, extranet-to-intranet access, and customer/supplier data exchange management. 5. Firewalls and strict management mechanisms were also implemented for different types of internal domain to enforce effective domain partitioning and management. The connection and access policies for each domain were also tailored to their specific operating requirements and cybersecurity considerations.
Mail Security Control	E-mail protection system with advanced functions such as external trust rating and sandbox prediction was adopted to strengthen the Group's ability to filter and protect against new types of business fraud, phishing attacks with multi-layered URLs, and a wide variety of malicious e-mail attachments.
External Exposure Monitoring, Analysis and Vulnerability Scanning	External exposure assessment and vulnerability scanning/patching mechanism were established for high-risk Internet services provided by the group through eink.com to reduce the risk of malicious intrusion and attack.
Emergency incident response	Sound management regulations are in place to ensure that employees know how to report and respond to IT system anomalies or critical cybersecurity incidents.
Certification	The Company plans to introduce and obtain ISO 27001 certification in 2022 Q2 and Q4 respectively.

5.6.4 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: Not applicable.

5.7 Important Contracts

Nature of contract	Counterparty	Contract start and end dates	Main details	Restrictive clauses
Technology and patent licensing	Company A	As specified in the contract	ePaper display related technology	None.
Reciprocal patent licensing	Company B	As specified in the contract	Reciprocal patent licensing	As specified in the reciprocal patent licensing agreement
Reciprocal patent licensing	Company C	As specified in the contract	Reciprocal patent licensing	As specified in the reciprocal patent licensing agreement
Reciprocal patent licensing	Company D	As specified in the contract	Reciprocal patent licensing	As specified in the reciprocal patent licensing agreement
Reciprocal patent licensing	Company E	As specified in the contract	Reciprocal patent licensing	As specified in the reciprocal patent licensing agreement
Reciprocal patent licensing	Company F	Confidentiality clause that prohibits public disclosure	Reciprocal patent licensing	As specified in the reciprocal patent licensing agreement
Land lease	Hsinchu Science Park Administration	2014/7/1~2033/12/31	Lease of plant land	Unless agreed by the Science Park Administration, the Company shall not sublet or in any way allow others to use part or all of the leased land, or use the land for non-agreed or illegal purposes.
Reciprocal patent licensing	Company G	Confidentiality clause that prohibits public disclosure	Reciprocal patent licensing	As specified in the reciprocal patent licensing agreement
Long term loan contract	Made jointly by Mega International Commercial Bank with 7 participating banks.	2020/12/15~2025/12/14	5-year syndicated loan contract with a limit of NT\$ 6.8 billion	None.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Stand-alone Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Information for The Last Five Years (Note 1)					As of March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		7,259,317	6,919,381	6,469,248	6,892,369	13,638,479	Not Applicable
Property, Plant and Equipment		1,435,385	1,376,998	1,330,352	1,314,914	2,235,982	
Intangible assets		209,607	254,224	246,717	236,373	206,420	
Other non-current assets		25,327,895	26,783,798	29,620,847	33,323,494	40,953,981	
Total assets		34,232,204	35,334,401	37,667,164	41,677,150	57,034,862	
Current liabilities	Before distribution	7,194,655	7,259,294	7,695,999	10,175,031	20,098,766	
	After distribution	9,048,205	9,632,732	9,964,725	13,237,810	23,748,061	
Non-current liabilities		105,051	146,462	971,026	993,509	1,768,930	
Total liabilities	Before distribution	7,299,706	7,405,756	8,677,025	11,168,540	21,867,696	
	After distribution	9,153,256	9,799,194	10,935,751	14,231,319	25,516,991	
Total equity		26,932,498	27,928,645	29,000,139	30,508,610	35,167,166	
Capital stock		11,404,677	11,404,677	11,404,677	11,404,677	11,404,047	
Share capital		10,108,119	10,243,293	10,306,993	10,310,536	10,407,670	
Retained earnings	Before distribution	5,621,362	6,721,050	7,428,382	8,760,870	11,000,202	
	After distribution	3,767,812	4,347,612	5,159,656	5,698,091	7,350,907	
Other equity		106,609	(255,475)	(29,881)	142,559	2,355,247	
Treasury shares		(308,269)	(184,900)	(110,032)	(110,032)	0	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	26,932,498	27,928,645	29,000,139	30,508,610	35,167,165	
	After distribution	25,078,948	25,555,207	26,731,413	27,445,831	31,517,871	

Note 1: Above financial information is based on the audited financial statements of the corresponding year.

Note 2: The appropriations of earnings for 2021 were resolved by the board of directors.

6.1.2 Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Information for The Last Five Years (Note 1)					As of March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021 (Note 3)	
Current assets		17,747,740	18,870,925	21,634,060	21,914,321	19,263,374	22,965,781
Property, Plant and Equipment		4,752,982	4,521,441	4,104,317	4,075,910	5,274,647	5,421,756
Intangible assets		8,591,789	8,526,053	8,107,841	7,662,987	7,214,678	7,366,204
Other non-current assets		4,783,409	4,995,689	7,774,731	12,147,415	25,257,300	25,366,565
Total assets		35,875,920	36,914,108	41,620,949	45,800,633	57,009,999	61,120,306
Current liabilities	Before distribution	6,871,552	6,569,117	9,206,675	11,564,821	17,839,575	21,161,539
	After distribution	8,725,102	8,942,555	11,475,401	14,627,600	21,488,870	-
Non-current liabilities		1,777,473	2,030,547	2,961,490	3,191,039	3,472,539	4,501,157
Total liabilities	Before distribution	8,649,025	8,599,664	12,168,165	14,755,860	21,312,114	25,662,696
	After distribution	10,502,575	10,973,102	14,436,891	17,818,639	24,961,409	-
Total equity attributable to owners of the company		26,932,498	27,928,645	29,000,139	30,508,610	35,167,166	34,909,520
Share capital		11,404,677	11,404,677	11,404,677	11,404,677	11,404,047	11,404,047
Capital surplus		10,108,119	10,243,293	10,306,993	10,310,536	10,407,670	10,638,995
Retained earnings	Before distribution	5,621,362	6,721,050	7,428,382	8,760,870	11,000,202	9,352,793
	After distribution	3,767,812	4,347,612	5,159,656	5,698,091	7,350,907	-
Other equity		106,609	(255,475)	(29,881)	142,559	2,355,247	3,513,685
Treasury shares		(308,269)	(184,900)	(110,032)	(110,032)	-	-
Non-controlling interests		294,397	385,799	452,645	536,163	530,719	548,090
Total equity	Before distribution	27,226,895	28,314,444	29,452,784	31,044,773	35,697,885	35,457,610
	After distribution	25,373,345	25,941,006	27,184,058	27,981,994	32,048,590	-

Note 1: Above financial information is based on the audited financial statements of the corresponding year.

Note 2: Above financial information is not based on the audited financial statements.

Note 3: The appropriations of earnings for 2021 were approved by the board of directors.

6.1.3 Stand-alone Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Information for The Last Five Years (Note 1)					As of March 31, 2022
		2017	2018	2019	2020	2021	
Operating revenue		13,905,359	12,773,679	12,860,810	14,365,868	18,068,580	Not Applicable
Gross profit		2,648,799	2,191,574	2,145,456	3,031,007	2,935,080	
Income from operations		934,774	256,550	94,492	962,813	728,065	
Non-operating income and expenses		1,297,179	2,410,833	3,041,011	2,841,688	4,570,923	
Income before income tax		2,231,953	2,667,383	3,135,503	3,804,501	5,298,988	
Net income for the year		2,078,065	2,613,673	3,083,789	3,602,589	5,150,045	
Other comprehensive income (loss) (net of income tax)		(387,910)	(377,654)	222,575	169,634	2,366,571	
Total comprehensive income for the year		1,690,155	2,236,019	3,306,364	3,772,223	7,516,616	
Earnings per share (Note 2)		1.85	2.32	2.72	3.18	4.53	

Note 1: Above financial information is based on the audited financial statements of the corresponding year.

Note 2: Earnings per share are based on the weighted average number of shares outstanding of the corresponding year.

6.1.4 Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Information for The Last Five Years (Note 1)					As of March 31, 2022 (Note 3)
		2017	2018	2019	2020	2021	
Operating revenue		15,203,334	14,208,661	13,601,676	15,362,855	19,650,564	5,960,861
Gross profit		6,284,416	5,930,176	6,038,586	7,021,881	8,587,820	2,871,281
Income from operations		1,102,387	457,165	559,811	1,847,252	3,023,246	1,425,622
Non-operating income and expenses		2,235,624	2,802,103	3,161,656	2,392,701	3,525,665	373,709
Income before income tax		3,338,011	3,259,268	3,721,467	4,239,953	6,548,911	1,799,331
Net income from continuing operations		2,932,298	2,692,076	3,173,597	3,673,688	5,212,048	1,469,605
Loss from discontinued operations		(849,968)	-	-	-	-	-
Net income for the year		2,082,330	2,692,076	3,173,597	3,673,688	5,212,048	1,469,605
Other comprehensive income (loss) (net of income tax)		(368,115)	(380,558)	199,613	181,826	2,298,867	1,708,018
Total comprehensive income for the year		1,714,215	2,311,518	3,373,210	3,855,514	7,510,915	3,177,623
Net income attributable to owners of the company		2,078,065	2,613,673	3,083,789	3,602,589	5,150,045	1,461,270
Net income attributable to non-controlling interests		4,265	78,403	89,808	71,099	62,003	8,335
Total comprehensive income attributable to owners of the company		1,690,155	2,236,019	3,306,364	3,772,223	7,516,616	3,160,267
Total comprehensive income (loss) attributable to non-controlling interests		24,060	75,499	66,846	83,291	(5,701)	17,356
Earnings per share (Note 2)		1.85	2.32	2.72	3.18	4.53	1.28

Note 1: Above financial information is based on the audited financial statements of the corresponding year.

Note 2: Earnings per share are based on the weighted average number of shares outstanding of the corresponding year.

Note 3: Above financial information is not based on the audited financial statements.

The name and opinion of the independent auditor within the last 5 year

Year	CPA Firm	Name of CPAs	Audit Opinion
2017	Deloitte Touche Tohmatsu Limited	Ya-ling Weng / Chih-Ming Shao	unqualified opinion
2018	Deloitte Touche Tohmatsu Limited	Ya-ling Weng / Chih-Ming Shao	unqualified opinion
2019	Deloitte Touche Tohmatsu Limited	Hui-min Huang / Chih-Ming Shao	unqualified opinion
2020	Deloitte Touche Tohmatsu Limited	Hui-min Huang / Chih-Ming Shao	unqualified opinion
2021	Deloitte Touche Tohmatsu Limited	Hui-min Huang / Chih-Ming Shao	unqualified opinion

6.2 Five-Year Financial Analysis

A. Financial Analysis — Unconsolidated-Based on IFRS

Item		Year	Financial Analysis for the Last Five Years					As of March 31, 2022
			2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio		21.32	20.96	23.01	26.80	38.34	Not applicable
	Ratio of long-term capital to property, plant and equipment		1,883.64	2,038.86	2,252.87	2,395.76	1,651.90	
Solvency (%)	Current ratio		100.90	95.32	84.06	67.74	67.86	
	Quick ratio		72.88	70.64	61.54	50.39	50.83	
	Interest earned ratio		229.42	187.41	83.98	74.45	86.48	
Operating performance	Accounts receivable turnover (times)		3.34	3.03	3.41	3.61	3.00	
	Average collection period		109.28	120.46	107.03	101.10	121.66	
	Inventory turnover (times)		7.95	5.89	6.41	6.76	6.03	
	Accounts payable turnover (times)		2.06	2.07	2.76	3.04	2.27	
	Average days in sales		45.91	61.96	56.94	53.99	60.53	
	Property, plant and equipment turnover (times)		9.44	9.08	9.50	10.86	10.17	
	Total assets turnover (times)		0.41	0.37	0.35	0.36	0.37	
Profitability	Return on total assets (%)		6.22	7.55	8.53	9.19	10.53	
	Return on stockholders' equity (%)		7.69	9.53	10.83	12.11	15.68	
	Pre-tax income to paid-in capital (%)		19.57	23.39	27.49	33.36	46.47	
	Profit ratio (%)		14.94	20.46	23.98	25.08	28.50	
	Earnings per share (NT\$)		1.85	2.32	2.72	3.18	4.53	
Cash flow	Cash flow ratio (%)		12.12	0.61	(0.91)	15.47	19.45	
	Cash flow adequacy ratio (%)		(22.71)	10.42	8.42	28.55	34.74	
	Cash reinvestment ratio (%)		(2.37)	(5.15)	(6.72)	(1.86)	2.03	
Leverage	Operating leverage		1.29	2.10	4.39	1.31	1.42	
	Financial leverage		1.01	1.06	1.67	1.06	1.09	
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)								
<p>(1) The increase in Debt Ratio was due to the increase in short loan and commercial paper.</p> <p>(2) The reduction in Ratio of long-term capital to property, plant and equipment was due to increase in property, plant and equipment due to the expansion of production line.</p> <p>(3) The increase in average collection period were due to the substantial growth in sales in Q4.</p> <p>(4) The reduction in Accounts payable turnover were due to the increase in most accounts payment term have been postponed.</p> <p>(5) The increase in Pre-tax income to paid-in capital and EPS were due to the increase in net profit before tax.</p> <p>(6) The increase in cash flow ratios were due to the increase in working capital.</p>								

B. Consolidated Financial Analysis — Consolidated-Based on IFRS

Item		Year	Financial Analysis for the Last Five Years					As of March 31, 2022 (Note 1)
			2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio		24.11	23.30	29.24	32.22	37.38	41.99
	Ratio of long-term capital to property, plant and equipment		604.04	662.60	778.73	826.80	732.56	726.90
Solvency (%)	Current ratio		258.28	287.27	234.98	189.49	107.98	108.53
	Quick ratio		223.88	253.08	211.80	169.87	83.00	85.71
	Interest earned ratio		103.14	114.94	46.94	39.34	67.12	75.71
Operating performance	Accounts receivable turnover (times)		8.36	6.68	6.32	8.90	8.47	8.48
	Average collection period		43.66	54.64	57.75	41.01	43.09	43.04
	Inventory turnover (times)		4.94	4.06	3.90	4.18	3.57	2.88
	Accounts payable turnover (times)		5.34	4.67	6.04	6.13	4.72	4.31
	Average days in sales		73.88	89.90	93.58	87.32	102.24	126.73
	Property, plant and equipment turnover (times)		3.02	3.06	3.15	3.76	4.20	4.46
	Total assets turnover (times)		0.44	0.39	0.35	0.35	0.38	0.40
Profitability	Return on total assets (%)		6.06	7.24	8.03	8.43	10.16	2.51
	Return on stockholders' equity (%)		7.69	9.53	10.83	12.11	15.68	4.17
	Pre-tax income to paid-in capital (%)		21.78	27.89	31.84	36.55	56.88	15.70
	Profit ratio (%)		13.67	18.39	22.67	23.45	26.21	24.51
	Earnings per share (NT\$)		1.85	2.32	2.72	3.18	4.53	1.28
Cash flow	Cash flow ratio (%)		80.26	43.44	34.16	42.52	26.29	2.97
	Cash flow adequacy ratio (%)		310.34	222.13	165.17	129.85	73.37	60.65
	Cash reinvestment ratio (%)		11.31	2.81	2.15	7.12	3.92	1.48
Leverage	Operating leverage		2.06	3.42	3.23	1.64	1.35	1.16
	Financial leverage		1.02	1.07	1.18	1.06	1.03	1.02

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

- (1) The reduction in Current ratio and Quick ratio was due to the funds to investment in financial products and production line expansion.
- (2) The increase in Interest earned ratio was due to increase in net profit .
- (3) The reduction in Accounts payable turnover were due to most accounts payment term have been postponed.
- (4) The increase in Return on total assets \ Return on stockholders' equity \ Pre-Tax income to paid-in capital and EPS were due to increase in net profit after tax \ total assets and equity.
- (5) The increase in Pre-tax income to paid-in capital were due to the increase in net profit before tax.
- (6) The reduction in cash flow ratios were due to the increase in current liabilities and long investment.

Note 1: Above financial information is not based on the audited financial statements.

6.3 The Review Report of the Audit Committee on the financial statements covering the most recent year.

Review Report of the Audit Committee

We express our consent on the separate and consolidated financial statements compiled by the Board of Directors covering the year ended on December 31, 2021. These financial statements were audited by Hui-Min Huang and Chih-Ming Shao, CPAs of Deloitte Taiwan with the issuance of Auditors' Report.

The Board of Directors also presented the 2021 Business Report and Proposal for Distribution of Income of the year for our review. In our opinion, these reports and statements were fairly presented in accordance with applicable legal rules. We present the aforementioned statements and report to the Shareholders Meeting pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

2022 Annual General Meeting of Stockholders Meeting

E INK HOLDINGS INC.

Convener of the Audit Committee: Po-Young Chu

Date: March 11, 2022

6.4 The financial statements covering the last 2 years, including the Auditors' Report, Comparative Balance Sheets, Comparative income Comparative Comprehensive Income Statements, Comparative Statement of Changes in equity, and Comparative Statements of Cash Flows covering the last 2 years and the notes to financial statements: refer to Appendix.

6.5 Audited separate financial statements covering the most recent year, excluding the list of important accounting items: refer to Appendix.

6.6 Insolvency of the Company and its affiliates in the most recent year to the date this report was printed, and the influence on the financial position of the Company: none.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	Dec. 31th, 2021	Dec. 31th, 2020	Difference	
				Amount	%
Current assets		19,263,374	21,914,321	(2,650,947)	12.10
Property, plant and equipment		5,274,647	4,075,910	1,198,737	29.41
Intangible assets		7,214,678	7,662,987	(448,309)	(5.85)
Other non-current assets		25,257,300	12,147,415	13,109,885	107.92
Total assets		57,009,999	45,800,633	11,209,366	24.47
Current liabilities		17,839,575	11,564,821	6,274,754	54.26
Non-current liabilities		3,472,539	3,191,039	281,500	8.82
Total liabilities		21,312,114	14,755,860	6,556,254	44.43
Share capital		11,404,047	11,404,677	(630)	(0.01)
Capital surplus		10,407,670	10,310,536	97,134	0.94
Retained earnings		11,000,202	8,760,870	2,239,332	25.56
Other equity		2,355,247	142,559	2,212,688	1552.12
Treasury shares		-	(110,032)	110,032	100
Total equity attributable to owners of the Company		35,167,166	30,508,610	4,658,556	15.27
Non-controlling interests		530,719	536,163	(5,444)	(1.02)
Total equity		35,697,885	31,044,773	4,653,112	14.99
<p>Analysis of changes in financial status:</p> <p>(1) Other non-current assets increased due to the increase in financial products and unrealized gains from investments in equity instruments.</p> <p>(2) Current liabilities increased due to increases in short-term notes and bills payable and contract liabilities.</p> <p>(3) Retained earnings increased due to the profit increased.</p> <p>(4) Other equity increased due to unrealized gains from investments in equity instruments.</p> <p>• Effect of changes on the company's financial condition: The Company's financial condition has not changed significantly.</p>					

7.2 Analysis of Operation Results

(1) Financial Analysis

Unit: NT\$ thousands

Item	Year	2021	2020	Difference	
				Amount	%
Operating revenue		19,650,564	15,362,855	4,287,709	27.91
Operating costs		11,062,744	8,340,974	2,721,770	32.63
Gross profit		8,587,820	7,021,881	1,565,939	22.30
Operating expenses		5,564,574	5,174,629	389,945	7.54
Income from operations		3,023,246	1,847,252	1,175,994	63.66
Non-operating income and expenses		3,525,665	2,392,701	1,132,964	47.35
Income before income tax		6,548,911	4,239,953	2,308,958	54.46
Income tax expense		(1,336,863)	(566,265)	(770,598)	136.08
Net income for the year		5,212,048	3,673,688	1,538,360	41.88
Analysis of changes in operating revenue 、 income from operations and income before income tax :					
(1) Operating revenue 、 operating costs and operating profit increased due to change of product portfolio and increased sales.					
(2) Non-operating income and expenses increased due to gain on disposal of investments and foreign currency exchange.					
(3) Income tax expense increased due to increased profits.					
(4) Income before income tax and net income for the year increased due to higher income from operations and non-operating income.					

(2) Expected sales volume and its considerations

The Company defines the annual sales target and its respective sales volume by considering the overall industry environment, market supply and demand, and existing operating performance.

(3) Potential impacts and actions

The Company determines its operating and financial plans based on its sales and operating goals, while that industry environment dynamics, market supply and demand changes, and company operations all potentially fluctuate the achievement of its operating and financial plans. Each department in the Company has to take necessary control to secure the achievement of the plans determined, and also take necessary actions when there are existing or potential variables fluctuate the achievement.

The Company also dedicates on innovations by delivering optimized products and adjusts its product portfolio upon market dynamics and expectations, aiming to stay on the leading edge of technologies development to create product and market competitiveness. The Company strives to increase market share and improve profitability over time.

7.3 Analysis of Cash Flow

7.3.1 Analysis of the changes in cash flows in the most recent year

Unit: NT\$ thousands

Cash balance at the beginning of period ①	Cash flows from operating activities of the period ②	Cash flows from investing activities of the period ③	Cash flows from financing activities of the period ④	The influence of changes in the exchange rate on cash and cash equivalents ⑤	Amount of cash surplus (short) ①+②+③+④+⑤	Remedy for cash short	
						Investment plan	Financing plan
12,954,147	4,690,437	(8,017,656)	(94,240)	(781,453)	8,751,235	N/A	N/A
<p>1. Analysis of the changes in cash flows in the most recent year:</p> <p>(1) Operating activities: Net cash inflow from operating activities was due to the increase in income related to operating growth.</p> <p>(2) Investing activities: Net cash outflow from investing activities was due to the acquisition of financial products.</p> <p>(3) Financing activities: Net cash outflow from financing activities was due to the increased borrowing and distribution of cash dividends.</p> <p>2. Liquidity contingency plan and liquidity analysis: N/A</p>							

7.3.2 Cash Flow Analysis for the Coming Year

The Company expected the cash in book and net cash inflow from operating activities in 2022 is adequate for the retirement of bank loans and payment of cash dividend. Cash flow in the year ahead is strong.

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT\$ thousands

Project	Actual or Planned Source of Capital	Total Capital	Actual or Expected Capital Expenditure	
			2021	2020
Plant, equipment and other	Equity fund	2,587,663	1,831,758	755,905

Expected Benefits: In response to the company's business development, expand production capacity, increase production efficiency, and develop new technologies.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 Investment Policy in the Last Year

- Investments were made in related upstream and downstream ePaper industries to complement the long-term development of the Company. These aimed to lower production costs and increase production capacity.
- The main consideration during investment was business development and overseas growth strategy. Financial returns and risks served as the basis for investment strategy.

7.5.2 Profit and loss analysis for invested businesses

Invested businesses as a whole delivered NT\$4,190,633,000 in profits during 2021, up NT\$1,367,463,000 from 2020. This increase was mainly attributed to an increase in subsidiary revenues and profit margins.

7.5.3 Improvement Plans & Investment Plans for the Coming Year

The long-term strategic objective of the Company's business investments is to continue developing the upstream and downstream ecosystems for new EPDs and related applications in order to expand the market for EPD. The Company and our subsidiaries carefully assess investment proposals. Investment risk is managed by conducting due diligence before equity investment.

7.6 Risks of the most recent year and as of the printing date of this annual report:

7.6.1 The influence of interest rate, exchange rate fluctuation, inflation on the income position of the Company, and the responses in the future:

1. Interest rate:

As of the date of publication, the interest rate hikes in the United States and Taiwan led to an increase in deposit interest rates. The company adjusted the proportion of capital allocation in a timely manner to ensure the effective use of funds.

2. Exchange rate:

The company's foreign exchange assets and liabilities are mainly in USD. In 2021, the USD depreciated against the TWD and appreciated against the KRW, and the company incurred exchange losses. As of the date of publication, the USD has mostly appreciated against the TWD and the KRW. The company will continue to retain and increase on USD to reduce the impact of exchange rate changes. Responses in the future: The Company follows a stable foreign exchange strategy for the dynamic adjustment of the position of assets and liabilities in foreign currencies. Appropriate hedging instruments offset these to reduce the effect of exchange rate fluctuation on the overall operation of the Company.

3. Inflation:

Most countries of the world are still following a QE policy. Global inflation is still relatively low, so inflation had minimal impact on the Company's profitability.

7.6.2 Undertaking of high risk and high leverage investment, the policies of loaning of funds to a third party, and endorsement/guarantee, the main reason for profit or loss, and the response in the future:

The Company was not engaged in high risk and high leverage investment. In general, the Company does not finance a third party or undertake endorsement/guarantee in favor of a third party except to subsidiaries under the control of the Company or for business reasons. Loaning of funds and endorsement/guarantee shall be subject to review and evaluation in accordance with the "Procedure for Loaning of Funds and Endorsement/Guarantee" in processing. The Company engaged in derivative trade for hedge only and will proceed with the policies and measurement under the "Procedure for the Acquisition or Disposition of Assets" of the Company.

7.6.3 R&D Plan in the future and the projection of expenses for R&D:

The Company will continue to build on existing research and development for the next five years. EPD product technology will target large screen size, color, slimness and lightweight, touch control, writing support and wrappability. Production technology will look at process integration and functional integration. Developments in TFT-related materials will be closely monitored and new materials introduced to improve overall product quality and production yield. In addition, the Company will continue the development of other display technologies. Different display technologies, each with its own strengths, will be combined with the special product requirements of the Company's niche customers to maintain our sustainability in the very competitive display industry.

In addition to continue developing ePaper technologies for eReader applications, broadening the application of ePaper to areas other than display will be a key area of research for our R&D team in the future. The ePaper technology of E Ink has now yielded results in the area of electronic tags. The R&D team will respond to the needs of the market and launch related products in order to take advantage of the fast-growing electronic tag sector. Efforts have also been made in developing applications in other areas such as the Notebook PC system, IoT devices, smart cards, dual-screen smartphones, and signage. The R&D expenses incurred of the aforementioned programs will account for 10%~15% of total revenues in the year ahead.

7.6.4 The influence of the changes in major policies of the home governments and foreign governments, and the regulatory environment, on the financial position and operation of the Company, and the response:

The Company pays close attention to any change in policies and regulatory environment that may affect the operation of the Company and makes corresponding adjustment to its related internal system.

7.6.5 The influence of technological and industrial change on the financial position and operation of the Company, and the response:

The Company pays close attention to the technological development and change in the display industry and proceeds to evaluate and research and development. Technological change and industrial change did

not significantly affect the financial position and operation so far.

7.6.6 The influence of the change in corporate image on corporate crisis management, and the response:

The core value of an enterprise is corporate image and reputation. The buildup of an image and accumulation of reputation was rested with the cornerstone of rapid and effective communication and sincerity. It is not only the responsibility of the enterprise but also the responsibility of all of the enterprise for the effective and efficient response to crisis of the enterprise and minimization of the damage. The officers of the Company are well aware of crisis management and amplify the effect of dissemination so that related agencies or the investors could keep abreast of the dynamic situation of the Company. The long-term support and trust of the investors will be an input to the sustainable development of the enterprise for yielding positive result.

7.6.7 The expected result of merger and acquisition and possible risk, and the response: none.

7.6.8 The expected result from capacity expansion and possible risk:

Feasibility study has been conducted by a professional technology team on capacity expansion and new facilities of the Company before proceeding. The EIH's board of directors on 2021/3/16 and 2020/12/17 passed the expansion plan of production at the current site of the Hsinchu plant to expand production capacity.

7.6.9 The risks of over concentration of sale and purchase, and the response:

The Company has pursued a diversification policy for avoiding the risk deriving from over concentration in purchase and sale.

7.6.10 The influence and risk from the massive transfer of equity shares or swap by the Directors, Supervisors, or shareholders holding more than 10% of the shares issued by the Company, and the response: None.

7.6.11 The influence and risk from change hand in ownership, and the response: None.

7.6.12 Legal actions or non-contentious matters shall be assured to include major legal actions, non-contentious matters or administrative appeals already trialed with sentence or in proceeding as stated in the financial statements covering the most recent year: None.

7.6.13 Other major risks and response:

Disclosure of Information Security Risk Assessment

1. Risk prevention and continuity management for back-end information systems:
 - (1) Server hardware architecture was designed for hardware redundancy. There is hardware redundancy for everything from server hardware and storage equipment to network architecture to prevent interruption to information system services due to hardware single point of failure.
 - (2) The information system is equipped with round-the-clock monitoring and warning mechanism. Real-time monitoring has been introduced for all information systems. If there is a system problem, then system administrators can be alerted to carry out troubleshooting ASAP.
 - (3) The information system is provided with automated scheduling and off-site data backup mechanisms. The primary E Ink data center is located at the Hsinchu plant while the backup center is at Linkou plant. Both plants have identical backup systems and mechanisms. Automated scheduling carries out a back-up of the information systems in their respective server rooms every day. Once the backup is complete, the backup system at each plant makes a copy of each other's data. The status of all backups and copies made within the last 24 hours are then automatically reported at 2PM each day.
 - (4) There are off-site backup servers for the primary information system and database. The architecture of the primary information systems and databases such as the ERP system is designed to support off-site backup servers. When these systems suffer an unexpected disaster and services cannot be restored right away, the off-site backup servers can be activated to provide continuity of service. Limitations of database operations mean that the data on the live system and backup servers may be out of sync by one hour.
 - (5) Data stored by off-site backup may be out of sync by one day. The copying mechanism for off-site data backup is a scheduled for automatic daily execution so the off-site backup may be out of sync

by up to one day.

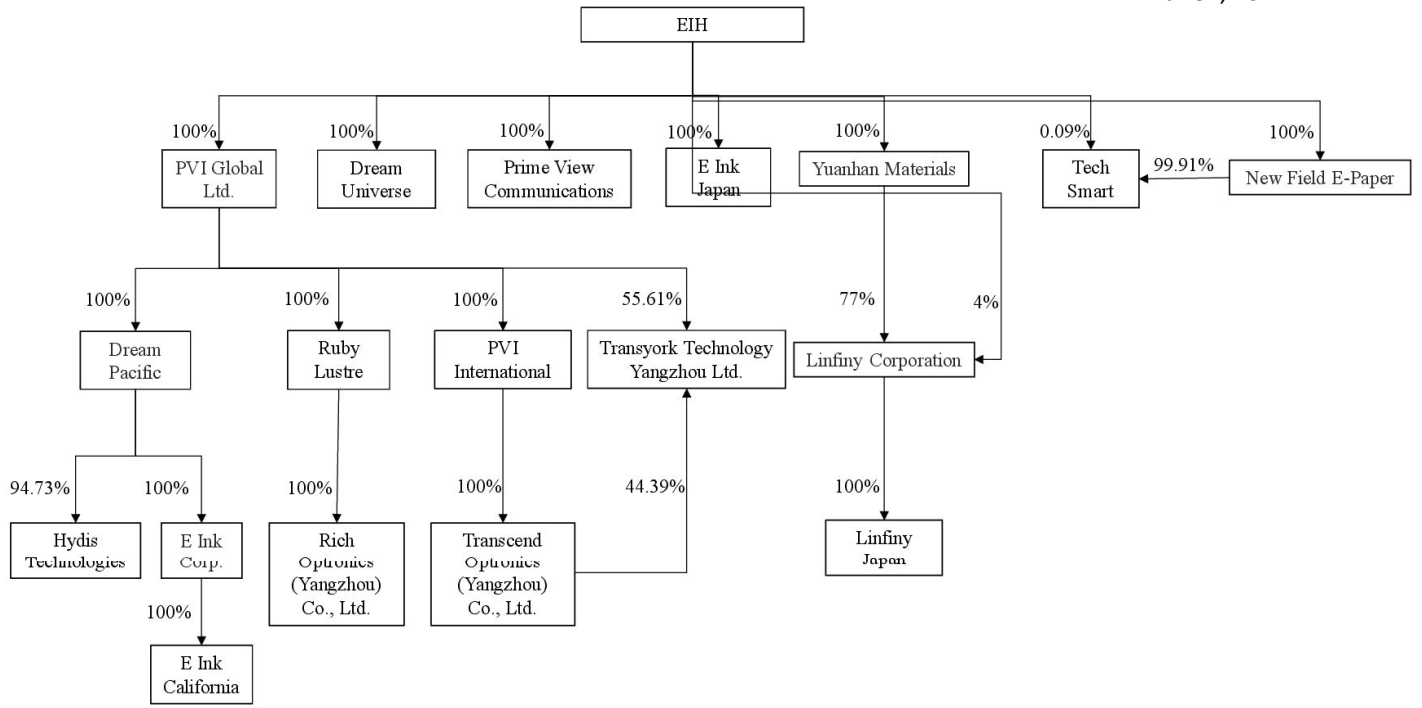
2. Emergency response and crisis management: E Ink has defined a rigorous emergency response procedure for system problems. A post-disaster recovery exercise is conducted for the primary systems every year to ensure that employees can handle emergencies in a calm and orderly manner without panicking. After each incident, a post-disaster recovery exercise review is also held and logged for future reference. The information is used to improve operator familiarity and minimize the time need for disaster recovery.
3. Continuity management and information security controls for front-end information equipment:
 - (1) The wired network is equipped with network access security controls that prevent unauthorized computers from maliciously connecting to the internal network and accessing the internal company information.
 - (2) Strict device and account authentication measures are in place for the wireless network to prevent unauthorized devices from accessing the internal network as well.
 - (3) Strict information security controls are installed for computer terminals. In addition to hardware encryption, strict controls and application procedures have been put into place for USB ports, software installation, and the access of network or cloud storage devices.
 - (4) The necessary security controls have been put into place for managing smart mobile devices used as mobile offices. These not only meet the mobile office needs of employees but also provide the necessary information security controls.
 - (5) Devices with Internet access are equipped with online behavior management and virus protection mechanisms. The websites that employees can access are also filtered. The age of the system however means it may provide insufficient protection against constantly evolving web services, computer viruses, phishing attacks, hacker attacks and online scams.
 - (6) An e-mail protection system has been set up to filter out computer viruses, phishing attacks, hacker attacks and online scams spread through e-mail.
 - (7) Apart from the above system protections, the information security unit conducts educate employees to raise their awareness on potential threats and proper methods of use in order to reduce information security risks to the company.
4. External exposure monitoring and analysis and vulnerability detection: For the high-risk information services of eink.com exposed to the Internet, establish external exposure monitoring and analysis and vulnerability detection scanning and repair mechanisms to reduce the risk of external malicious intrusions and attacks .

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Summary of Affiliated Companies

Mar 31, 2022



8.1.2 Basic Information of Affiliated Companies

December 31, 2021/In NT\$'000 unless otherwise specified

Company Name	Date of Inception	Address	Registered Capital	Main Business or Production
YuanHan Materials Ltd.	2000.05.29	15F, No. 51, Sec. 2, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan	1,838,192	Research, development and sale of electronic parts and electronic ink
New Field e-Paper Co., Ltd.	2009.06.01	No. 199 Huaya Road 2, Kweishan Taoyan Taiwan	6,710,323	Wholesale and sale of electronic parts
Linfiny Corporation	2017.04.11	No. 199 Huaya Road 2, Kweishan Taoyan Taiwan	420,000	Research and development of Electronic ink
Linfiny Japan Inc.	2017.04.27	1-24-2, Taito, Taito District, Tokyo, Japan	20,000(JPY'000)	Research and development of Electronic ink
E Ink Corporation	1997.04.02	1000 Technology Park Drive, Billerica, Massachusetts, United States of America	US\$2	Manufacture and sale of electronic ink
E Ink California, LLC	2014.07	47485 Seabridge Dr., Fremont, CA, 94538, USA	190(US\$'000)	Research, development and sale of electronic ink
E Ink Japan Inc.	2014.12.04	2F, Dai12DaitetsuBldg., 3-12, Yotsuya 4-chome, Shinjuku-ku, Tokyo	10,000(JPY'000)	Development of electronics ink products
PVI Global Corp.	2002.04.30	Palm Grove House, P.O.BOX438, RoadTown, Tortola, British Virgin Islands	108,413(US\$'000)	Investment
PVI International Corp.	2002.04.30	Palm Grove House, P.O.BOX438, RoadTown, Tortola, British Virgin Islands	160,300(US\$'000)	Trading
Prime View Communications Ltd.	2002.04.11	2/F., SHA TIN INDUSTRIAL BUILDING, 22-28 WOSHUI STREET, FOTAN, SHATIN, N.T., HONGKONG	3570(HK\$'000)	Trading
Tech Smart Logistics Ltd.	2002.12.11	Palm Grove House, P.O.BOX 438, Road Town, Tortola, British Virgin Islands	151550(US\$'000)	Trading
Dream Universe Ltd.	2004.03.31	3 rd Floor, Raffles Tower, 19 Cybercity, Ebene, Republic of Mauritius	4,050(US\$'000)	Trading
Ruby Lustre Ltd.	2003.01.03	Palm Grove House, P.O.BOX438, RoadTown, Tortola, British Virgin Islands	30,000(US\$'000)	Investment
Dream Pacific International Corp.	2004.03.31	Palm Grove House, P.O.BOX 438, RoadTown, Tortola, British Virgin Islands	26,000(US\$'000)	Investment
Transcend Optronics (Yangzhou) Co., Ltd.	2002.04.30	NO.8,Wuzhou West Road, Economic and Technological Development Zone, YANGZHOU, P.R.China	160,300(US\$'000)	Assembly and sale of display panels
Rich Optronics (Yangzhou) Co., Ltd.	2004.03.31	NO.8,Wuzhou West Road, Economic and Technological Development Zone, YANGZHOU, P.R.China	30,000(US\$'000)	Assembly and sale of display panels
Hydis Technologies Co., Ltd.	2002.11.25	Urbanbench Building 9F, 325, Teheran-ro, Gangnam-gu, Seoul, Republic of Korea	19,967,175(KRW\$'000)	Display product development and patent licensing
Transyork Technology Yangzhou Ltd.	2011.03.04	No. 8, Wuzhou West Road, Jingji Development Area, Yangzhou, P.R.China	36,931(US\$'000)	Assembly and sale of display panels

8.1.3 Shareholder information of affiliates to which the Company exercise control: None.

8.1.4 Industries covered by business of all affiliated companies

Company Name	Main Business or Production	Allocation of Function
YuanHan Material Ltd.	Research, development and sale of electronic parts and electronic ink	Sale and Development of Electronic Material
New Field e-Paper Co., Ltd.	Wholesale and sale of electronic parts	Not Applicable
Linfiny Corporation	Research and development of Electronic ink	Development of Electronic Material
Linfiny Japan Inc.	Research and development of Electronic ink	Development of Electronic Material
E Ink Corporation	Manufacture and sale of electronic ink	Sale, Manufacturing and Development of Electronic Components
E Ink California, LLC	Research, development and sale of electronic ink	Sale and Development of Electronic Material
E Ink Japan, Inc.	Development of electronics ink products	Development of Electronic Material
PVI Global Corp.	Investment	Not Applicable
PVI International Corp.	Trading	Sale of Parent Company's Products
Prime View Communications Ltd.	Trading	Not Applicable
Tech Smart Logistics Ltd.	Trading	Not Applicable
Dream Universe Ltd.	Trading	Not Applicable
Ruby Lustre Ltd.	Investment	Not Applicable
Dream Pacific International Corp.	Investment	Not Applicable
Transcend Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	Manufacturing and sale of Parent Company's Products
Rich Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	Manufacturing and sale of Parent Company's Products
Hydis Technologies Co., Ltd.	Display product development and patent licensing	Development of Display Devices and patent licensing
Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	Not Applicable

8.1.5 Directors, statutory auditor(s) and President of each affiliated companies

Dec 31, 2021

Company Name	Title	Representatives	Ownership	
			Number of Shares	Percentage
YuanHan Materials Ltd.	Director	Luke Chen 、 Johnson Lee 、 FY Gan	183,819,268	100%
	Supervisor	Patrick Chang		
New Field e-Paper Co., Ltd.	Director	Lloyd Chen 、 Johnson Lee 、 FY Gan	671,032,318	100%
	Supervisor	Patrick Chang		
Linfiny Corporation	Director	Johnson Lee 、 FY Gan 、 Luke Chen 、 JM Hung 、 Jim Chang 、 Naoki Sumita 、 Terushi Shimizu	34,020,000	81%
	Supervisor	Patrick Chang		
Linfiny Japan Inc.	Director	Johnson Lee 、 Naoki Sumita 、 Keisuke Hashimoto	4,000	81%
	Supervisor	Patrick Chang		
E Ink Corporation	Director	S.C. Ho 、 Johnson Lee 、 FY Gan 、 Luke Chen 、 Paul Apen	2,282	100%
E Ink California, LLC	General Manager	FY Gan	27,400,000	100%
E Ink Japan Inc.	Director	Johnson Lee 、 Patrick Chang 、 Naoki Sumita	200	100%
PVI Global Corp.	Director	Johnson Lee 、 Su, Ning-Ning	108,413,176	100%
PVI International Corp.	Director	Johnson Lee 、 Lloyd Chen	169,300,000	100%
Prime View Communications Ltd.	Director	Johnson Lee 、 Amanda Tseng	3,570,000	100%
Tech Smart Logistics Ltd.	Director	Johnson Lee 、 Patrick Chang	1,749,801,748	100%
Dream Universe Ltd.	Director	Luke Chen 、 Patrick Chang	4,050,000	100%
Ruby Lustre Ltd.	Director	Luke Chen 、 Patrick Chang	30,000,000	100%
Dream Pacific International Corp.	Director	Johnson Lee 、 Su, Ning-Ning	26,000,000	100%
Transcend Optronics (Yangzhou) Co., Ltd.	Director	Johnson Lee 、 Luke Chen 、 Mano Lo		100%
	Supervisor	Patrick Chang		
	General Manager	Roger Chou		
Rich Optronics (Yangzhou) Co., Ltd.	Director	Johnson Lee 、 Luke Chen 、 Roger Chou		100%
	Supervisor	Patrick Chang		
	General Manager	Roger Chou		
Hydis Technologies Co., Ltd.	Director	Johnson Lee 、 FY Gan 、 Lloyd Chen 、 Cecil Liu	3,783,265	94.73%
	Supervisor	Patrick Chang		
	General Manager	Cecil Liu		
Transyork Technology Yangzhou Ltd.	Director	Johnson Lee 、 Luke Chen 、 Mano Lo		100%
	Supervisor	Patrick Chang		
	General Manager	Roger Chou		

8.1.6 Operation Overview of Affiliated Companies

As of December 31, 2021/Unit:NT\$ thousands, except Earnings Per Share(NT\$)

Company Name	Currency	Registered Capital	Total Assets	Total Liabilities	Net Asset Value	Revenue	Operating Profit/Loss	Net Profit/Loss	EPS (Note1)
New Field e-Paper Co., Ltd.	NT\$'000	6,710,323	6,127,647	720,254	5,497,393	0	(789)	297,957	0.44
E Ink Corporation	US\$'000	2	234,621	113,346	121,275	205,089	20,502	26,817	11,751.53
E Ink California, LLC	US\$'000	190	38,378	8,700	29,678	19,792	3,846	3,697	0.13
E Ink Japan Inc.	JP¥'000	10,000	93,470	24,897	68,573	173,017	8,539	14,859	74,295.00
PVI Global Limited	US\$'000	108,413	586,459	3	586,456	0	(8)	74,415	0.69
PVI International Corp.	US\$'000	169,300	182,823	0	182,823	0	(4)	32,001	0.19
Prime View Communications Ltd.	HK\$'000	3,570	414,858	424,409	(9,551)	0	(8,517)	(8,500)	(2.38)
Tech Smart Logistics Ltd.	US\$'000	151,550	148,835	0	148,835	0	(4)	7,434	0.00
Dream Universe Ltd.	US\$'000	4,050	13,501	893	12,608	0	(10)	(3)	(0.00)
Ruby Lustre Ltd.	US\$'000	30,000	28,515	0	28,515	0	0	308	0.01
Dream Pacific International Limited	US\$'000	26,000	339,812	5,521	334,291	0	(9)	42,202	1.62
Transcend Optronics (Yangzhou) Co., Ltd.	CN¥'000	US\$169,300,000	3,188,897	2,024,714	1,164,183	3,169,555	146,959	205,536	N/A
Rich Optronics (Yangzhou) Co., Ltd.	CN¥'000	US\$30,000,000	181,865	66	181,799	0	(472)	1,994	N/A
Hydis Technologies Co., Ltd.	KRW'000	19,967,175	473,714,930	50,308,804	423,406,126	0	(4,734,701)	46,042,562	11,529.56
Transyork Technology Yangzhou Ltd.	CN¥'000	US\$36,931,000	187,450	706	186,774	0	(3,337)	(3,012)	N/A
Linfiny Japan Inc.	JP¥'000	20,000	185,516	90,686	95,830	297,112	14,115	4,482	1,120.50
Linfiny Corporation	NT\$'000	420,000	200,123	169,976	30,147	151,516	8,390	9,844	0.23
YuanHan Materials Inc.	NT\$'000	1,838,193	12,337,717	3,675,722	8,661,995	4,085,752	1,445,533	1,637,600	8.91

Note1: EPS is after-tax basis, with same currency unit.

8.1.7 Affiliated Parties Consolidated Financial Statements: Please refer to Appendix “Consolidated Financial Statements”.

8.1.8 Affiliated Parties Report: Not Applicable.

8.2 Declaration on Internal Control System

E Ink Holdings Inc.

Declaration on Internal Control System

Date: March 11, 2022

The Company hereby declares the following in relation to its internal control system established in 2021 based on its own evaluation:

1. Knowing that the establishment, implementation and maintenance of internal control system are the responsibilities of the Company's board of directors and managers, the Company has established such system. The purpose of the system is to achieve reasonable assurance of effective and efficiency of operations (including profits, performance and safeguard of asset security), reliability, timeliness, transparency and regulatory compliance of reporting and compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limits. However, complete the design, an effective internal control system can only provide reasonable assurance for the achievement of the three objectives above. The effectiveness of the internal control system may also vary due to the change of environment and situation. However, the Company's internal control system includes an auto-supervisory mechanism. Once a deficiency is identified, the Company will be able to undertake corrective actions immediately.
3. The Company adopts the criteria for effectiveness of the internal control system under the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations") to determine whether the design and implementation of the internal control system are effective. The Regulations divide the internal control system into 5 constituent elements in the process of control: 1. Control environment, 2. Risk assessment, 3. Control procedure, 4. Information and communication, and 5. Supervision. Each constituent element also includes several items. For these items, please refer to the provisions of the Regulations.
4. The Company has adopted the above internal control system criteria to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the evaluation under the previous paragraph, the Company deems that, in relation to its internal control system as of December 31, 2021 (including supervision and management of subsidiaries), the design and implementation of the internal control system are effective, including an understanding of the level of achievement of the objectives of operational results and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting and compliance with applicable laws, regulations and bylaws, and can reasonably ensure the achievement of these objectives.
6. This Declaration will become a main part of the Company's annual report and prospectus and will be published. Any falsity or concealment of such publication will result in legal liabilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Declaration is approved by the board of directors of the Company on March 11, 2022. All 9 attending directors approved this Declaration, and no director voiced any objection. In witness hereof.

E Ink Holdings, Inc.

Chairman: Johnson Lee

President: FY Gan

8.3 The offering of securities through private placement in the most recent year to the date this report was printed:
none.

8.4 The holding or disposals of Company shares by subsidiaries in the most recent year to the date this report was printed: none.

8.5 Additional Information: none.

8.6 Incidents that caused significant influence on the shareholders' equity or stock price of the Company as stated in Subparagraph 3, Paragraph 2 in Article 36 of this law in the most recent year to the date this report was printed:
none.

8.7 Major resolutions of the Shareholders Meeting and Board in the most recent year to the date this report was printed.

(1) Important resolutions and implementation of the shareholders' meeting

1. Major resolutions passed in shareholder meetings and the execution progress

The Company's 2021 annual general meeting was held on July 7, 2021 at the Company's first-floor conference room (No. 3, Lixing 1st Rd., Hsinchu Science Park, Hsinchu City).

Below is a summary of resolutions made during the meeting and the execution progress:

Acknowledgments, discussions, and election	Current progress
(1) Acknowledgment of the Company's 2020 year-end accounts.	Approved.
(2) Acknowledgment of the Company's 2020 earnings appropriation.	Resolution passed; the Company paid cash dividends on August 26, 2021.
(3) Partial amendments to the Company's Articles of Association.	Resolution passed; the Company completed registration for change of capital on August 20, 2021.
(4) Proposal for partial amendments to the Company's "Shareholders Conference Rules."	Approved.
(5) Proposal for partial amendments to the Company's "Procedures of Acquisition or Disposal of Asset."	Approved.

(2) Important resolutions of the board of directors

The Company convened a total of 8 board of directors meetings in 2021 and for the period up until April 24, 2022.

Below is a summary of major resolutions:

Board of Directors Date	Session	Resolution
Mar. 16, 2021	5th meeting of the 11th board	<ol style="list-style-type: none"> 1. Presentation of the Company's 2020 year-end accounts 2. Proposal of the Company's 2020 earnings appropriation 3. Proposal to allocate employee and director remuneration from 2020 profits, and to determine details including the payment method and eligible payees 4. Presentation of the Company's 2020 "Declaration of Internal Control System" 5. Proposal to expand production lines H3 and H4 for FPL at the Company's Hsinchu Plant 6. Proposal to apply for credit limits with banking partners 7. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 8. Proposal for partial amendments to the Company's Articles of Incorporation 9. Proposal for partial amendments to the Company's "Shareholders Conference Rules." 10. Proposal for partial amendments to the Company's Procedures of Acquisition or Disposal of Asset 11. Proposal for amendments to the Company's "accounting policy." 12. Discussion for the time, venue, and agenda of the Company's 2021 annual general meeting
May 7, 2021	6th meeting of the 11th board	<ol style="list-style-type: none"> 1. 2021 salary adjustment 2. 2021 salary adjustment for managers of Assistant Vice President grade and above 3. Proposal to commence phase 3 transfer of the 3rd share repurchase to employees 4. Establishment of the Company's "Issuance Policy for 2020 Employee Warrant" 5. Allocation of 2020 employee warrant 6. Proposal for partial amendments to the Company's Articles of Incorporation 7. Establishment of group-wide taxation and management policies 8. Construction of new factory complex and multi-storey carpark for the Company's Hsinchu Plant 9. Proposal to apply for credit limits with banking partners 10. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners
May 7, 2021	7th meeting (interim) of the 11th board	<ol style="list-style-type: none"> 1. Establishment of the Company's "Issuance and Subscription Policy for 2021 Employee Warrant"
Jun. 21, 2021	8th meeting (interim) of the 11th board	<ol style="list-style-type: none"> 1. Establishment of the Company's "Issuance Policy for 2021 Employee Warrant" 2. Allocation of 2020 and 2021 employee warrant 3. Proposal to change the date, venue, and relevant details of the Company's 2021 annual general meeting
Aug. 6, 2021	9th meeting of the 11th board	<ol style="list-style-type: none"> 1. Proposal to apply for credit limits with banking partners 2. Proposal of CPA audit service fees for 2021 3. Proposal to retire the 3rd Share Repurchase against a reduction of the Company share capital, and to update capital registration 4. Proposal to have Transcend Optronics (Yangzhou) Co., Ltd., one of the Company's wholly-held investments, raise USD 61 million of capital to construct production facilities for the supply of upstream materials for EPD modules, while signing a policy incentive contract with "Yangzhou Economic and Technological Development Zone Administration Committee" for new capital raised on the new project
Nov. 5, 2021	10th meeting of the 11th board	<ol style="list-style-type: none"> 1. Presentation of the Company's 2022 "Audit Plan" 2. Proposal to apply for credit limits with banking partners 3. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 4. Proposal to make partial amendments to the Company's "Financial Statement Preparation Procedures Management" 5. Appointment of accounting supervisor for the Company 6. Proposal to change the place of registration from British Virgin Islands (BVI) to The Netherlands for two of the Company's subsidiaries, namely PVI Global Corporation ("PVIG") and Dream Pacific International Corp. ("DP"), and to optimize organizational structure and share capital of subsidiary - E Ink Corporation ("EIC") <p>Establishment of group-wide taxation and management policies</p>
Dec. 17, 2021	11th meeting of the 11th board	<ol style="list-style-type: none"> 1. Presentation of the Company's 2022 operational plan and budget 2. Proposal to apply for credit limits with banking partners 3. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners
Mar. 11, 2022	12th meeting of the 11th board	<ol style="list-style-type: none"> 1. Presentation of the Company's 2021 year-end accounts 2. Proposal of the Company's 2021 earnings appropriation 3. Proposal to allocate employee and director remuneration from 2021 profits, and to determine details including the payment method and eligible payees

Board of Directors Date	Session	Resolution
		<ol style="list-style-type: none"> 4. Presentation of the Company's 2021 "Declaration of Internal Control System" 5. Proposal to apply for credit limits with banking partners 6. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 7. Proposal to lend capital to one of the group subsidiaries - Yuanhan Materials Inc. (Yuanhan) 8. Proposal for partial amendments to the Company's Articles of Incorporation 9. Proposal for partial amendments to the Company's "Shareholders Conference Rules." 10. Proposal for partial amendments to the Company's Procedures of Acquisition or Disposal of Asset 11. Proposal to remove restrictions imposed against the Company's directors for involving in competing businesses 12. Discussion for the time, venue, and agenda of the Company's 2022 annual general meeting

8.8 Scope of Authority, Business Highlights during the Year, and Continuing Education for the Chief Governance Officer

Officer

1. The scope of authority of the chief governance officer

A dedicated position was established by the Company to manage all corporate governance affairs. The scope of authority includes:

- (1) Organize Board meetings in accordance with the law.
- (2) Production of Board meeting minutes.
- (3) Assist with the appointment and continuing education for directors and independent directors.
- (4) Provide directors and independent directors with the information necessary to carry out their duties.
- (5) Assist directors and independent directors with compliance.
- (6) Any other matters set out in the Company articles of incorporation, are those approved a resolution of the Board.

2. Business Highlights during the Year

- I. Organizing of Board meetings and regulatory compliance:
 - (1) Planning of Board meetings, drafting of the agenda, writing of proposals, providing all participating directors and attending officers with seven days' notice, and providing enough information for the meeting. This helps directors understand the nature of related topics before the meeting.
 - (2) Reminds directors in advance to recuse themselves from a proposal if a conflict of interest exists. Meeting minutes should be compiled after the meeting and delivered to each director within 20 days of each meeting.
 - (3) Check that the convening of Board meetings, resolutions put before the Board, resolution process and meeting procedure all conform to the relevant laws and corporate governance best practice principles.
 - (4) Organize performance self-assessments for the Board of Directors, Board members, and functional committee members in accordance with the Rules for Performance Evaluation of Board Directors. The assessment completed in 2020 Q1 was completed, and the results were reported to the Board. The results of the assessment were uploaded in accordance with the law and published in the annual report.
- II. Provide directors and independent directors information with the education they need and arrange for their continuing education.
 - (1) Help directors understand what laws they must comply with during the execution of their duties upon request.
 - (2) Assist Board members with completing at least 6 hours of continuing education each year.

3. Status of continuing education

The corporate governance officer completed up to 15 hours of courses related to corporate governance in 2021. These courses are detailed below:

Organizer	Name of course	Training hours
Taiwan Corporate Governance Association	Board Functionality and Performance Evaluation (5/11)	3
Taiwan Corporate Governance Association	Board Functionality and Enforceability of Decisions (11/16)	3
Taiwan Corporate Governance Association	Operating and M&A Strategies for Taiwanese Enterprises under the Prevailing Global Political and Economic Landscape (12/7)	3
Taiwan Corporate Governance Association	Prevention of Insider Trading and the Latest Practices (12/10)	3
Taiwan Corporate Governance Association	Accomplishing SDGs through Transformation (12/16)	3

8.9 Policies or strategies for managing environmental, social, and corporate governance risks relating to the

Company's operations

Business risk category	Item	Risk description	Degree of impact	Frequency	Control strategy
Continuity	Compliance	Changes in the global political and economic landscape, industry trends, new trade practices, environmental impact, and regulatory requirements may all affect the Company's costs, profitability, and financial risks.	High	Low	The Company gathers and analyzes new trends and laws in relevant fields on a regular basis, and proposes responses depending on the level of risk exposure
	Business integrity	Employees' corruptive and counterproductive behaviors may undermine the Company's business performance	High	Low	Appropriate management policies and communication channels have been implemented, and new employees are being subjected to relevant training
Product technology	Technology R&D	Research and development of innovative technologies helps support growth of the entire value chain, which in turn increases margin on the products sold and improves competitiveness of the Company	High	High	The Company strives to strengthen competitive advantage of its products through differentiation, technological advancement, and quality, and is always exploring opportunities for strategic alliance and cooperation.
Production risks	Supply disruption risks	Concentrated purchase gives rise to supply disruption risks; occurrences such as insufficient capacity, factory accident, or natural disaster endured by suppliers may all result in shortage of materials. The Company currently has a set of "Business Continuity Management Policy" in place to address such risk.	Low	Low	<ol style="list-style-type: none"> Inventory level of all types of raw materials is checked on a weekly basis to determine the optimal inventory plan. The Company assesses its suppliers carefully and takes the initiative to explore new supply sources.
	Rapid change in supply / demand	Rapidly changing supply/demand gives rise to additional inventory cost, warehousing cost, and possibility of losing customers due to inadequate production capacity.	Medium	Medium	Using sales forecast as the basis, the Company plans and simulates a broad spectrum of production and sales scenarios, so that production plans can be adjusted with good degree of flexibility at any time.
Cybersecurity risk	Leak of confidential information	Corporate secrets, patents, and R&D data are prone to risk of theft, alteration, corruption, loss, and unauthorized disclosure.	Medium	Low	Firewall and security of IT equipment are being strengthened, and systematic practices have been adopted to detect, report, and manage irregularities.
Environmental safety and health risk	Risk of disaster	The Company as implemented "Business Continuity Management Policy" and assembled a crisis response team to prevent major disruption of business operations caused by disaster, and thereby ensure business continuity.	Medium	Low	<ol style="list-style-type: none"> Standardized procedures have been developed for various operations, and employees are subjected to regular training Hardware protections are updated and tested on a regular basis
	Personal health and safety risk	Work-induced occupational illness and deterioration of individual health cause a loss of productivity	Medium	High	The Company has established "Occupational Safety and Health Management Procedures" and introduced health risk management practices and healthy environment initiatives to care for employees' physical as well as mental health
Environment management risk	Energy management	Power shortage or disruption hinders production capacity	High	Low	Energy conservation and cost reduction measures are being adopted, and progressive steps have been taken to make use of green energy
	Green manufacturing	Pollution and emission to the environment are detrimental to the Company's image	High	Low	Additional efforts are being taken to remove pollutants from the water and air discharged into the environment

Appendix

A. Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

E Ink Holdings Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

E INK HOLDINGS INC.

By

JOHNSON, LEE
Chairman

March 11, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
E Ink Holdings Inc.

Opinion

We have audited the accompanying consolidated financial statements of E Ink Holdings Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Sales Revenue - Recognition of Sales Revenue from Internet of Things Applications Products

The Group mainly sells products, such as consumer electronics and Internet of Things applications, which were affected by change in end-market demand due to the COVID-19 pandemic. The Group adjusted its product structure to respond to such changes. Among them, the proportion of sales revenue from Internet of Things applications products has increased, which consequently increased the risk associated with the occurrence of sales revenue transactions from Internet of Things applications products. Therefore, the recognition of sales revenue from Internet of Things applications products was identified as a key audit matter.

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

1. We understood and tested the design and operating effectiveness of relevant internal controls over the occurrence of sales revenue from Internet of Things applications products.
2. We sampled the sales details of Internet of Things applications products, inspected receipts signed by the customers or export declaration of overseas sales, and confirmed the receipt of payments.

Other Matter

We have also audited the financial statements of E Ink Holdings Inc. as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine a matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021, and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Hui-Min Huang and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2022

Notice to Readers

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

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash and cash equivalents (Note 6)	\$ 8,751,235	15	\$ 12,954,147	28
Financial assets at fair value through profit or loss (Note 7)	99,401	-	1,999,208	4
Financial assets at amortized cost (Notes 9 and 31)	2,499,045	5	3,081,651	7
Contract assets (Note 22)	35,045	-	46,900	-
Accounts receivable (Notes 10, 22 and 30)	3,247,721	6	1,389,905	3
Other receivables (Note 30)	167,782	-	141,045	-
Current tax assets (Note 24)	6,768	-	14,043	-
Inventories (Note 11)	4,142,022	7	2,040,429	5
Prepayments (Note 30)	314,252	1	228,528	1
Non-current assets held for sale (Note 12)	-	-	9,342	-
Other current assets	103	-	9,123	-
Total current assets	19,263,374	34	21,914,321	48
NON-CURRENT ASSETS (Note 4)				
Financial assets at fair value through profit or loss (Note 7)	3,429,586	6	1,589,011	4
Financial assets at fair value through other comprehensive income (Note 8)	16,799,349	30	6,929,647	15
Financial assets at amortized cost (Notes 9 and 31)	1,353,730	2	561,575	1
Investments accounted for using the equity method (Note 14)	733,642	1	130,046	-
Property, plant and equipment (Notes 15, 23, 27 and 30)	5,274,647	9	4,075,910	9
Right-of-use assets (Notes 16, 23 and 30)	1,668,669	3	1,646,709	4
Goodwill (Note 17)	6,531,427	12	6,597,276	14
Other intangible assets (Notes 17 and 23)	683,251	1	1,065,711	2
Deferred tax assets (Note 24)	804,793	1	1,131,693	3
Other non-current assets (Note 30)	467,531	1	158,734	-
Total non-current assets	37,746,625	66	23,886,312	52
TOTAL	\$ 57,009,999	100	\$ 45,800,633	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Short-term borrowings (Notes 18 and 31)	\$ 3,766,997	7	\$ 5,394,245	12
Short-term bills payable (Note 18)	4,644,546	8	805,612	2
Financial liabilities at fair value through profit or loss (Note 7)	221,939	-	-	-
Contract liabilities (Note 22)	3,259,113	6	1,455,670	3
Notes and accounts payable (Note 30)	3,123,992	6	1,566,068	3
Other payables (Notes 19 and 27)	1,845,998	3	1,410,737	3
Current tax liabilities (Note 24)	763,772	1	685,710	1
Other current liabilities (Notes 12, 16 and 30)	213,218	-	246,779	1
Total current liabilities	17,839,575	31	11,564,821	25
NON-CURRENT LIABILITIES (Note 4)				
Long-term borrowings (Note 18)	847,340	1	63,000	-
Contract liabilities (Note 22)	-	-	351,361	1
Deferred tax liabilities (Note 24)	295,512	1	88,468	-
Lease liabilities (Notes 16 and 30)	1,632,196	3	1,617,605	4
Deferred revenue (Note 12)	588,642	1	962,015	2
Net defined benefit liabilities (Note 20)	104,357	-	100,613	-
Other non-current liabilities (Note 30)	4,492	-	7,977	-
Total non-current liabilities	3,472,539	6	3,191,039	7
Total liabilities	21,312,114	37	14,755,860	32
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 26)				
Share capital	11,404,047	20	11,404,677	25
Capital surplus	10,407,670	18	10,310,536	23
Retained earnings	11,000,202	20	8,760,870	19
Other equity	2,355,247	4	142,559	-
Treasury shares	-	-	(110,032)	-
Total equity attributable to owners of the Company	35,167,166	62	30,508,610	67
NON-CONTROLLING INTERESTS (Note 21)	530,719	1	536,163	1
Total equity	35,697,885	63	31,044,773	68
TOTAL	\$ 57,009,999	100	\$ 45,800,633	100

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 30)	\$ 19,650,564	100	\$ 15,362,855	100
OPERATING COSTS (Notes 11, 23 and 30)	<u>11,062,744</u>	<u>56</u>	<u>8,340,974</u>	<u>54</u>
GROSS PROFIT	<u>8,587,820</u>	<u>44</u>	<u>7,021,881</u>	<u>46</u>
OPERATING EXPENSES (Notes 23 and 30)				
Selling and marketing expenses	687,046	3	634,217	4
General and administrative expenses	2,228,188	11	2,073,614	14
Research and development expenses	<u>2,649,340</u>	<u>14</u>	<u>2,466,798</u>	<u>16</u>
Total operating expenses	<u>5,564,574</u>	<u>28</u>	<u>5,174,629</u>	<u>34</u>
INCOME FROM OPERATIONS	<u>3,023,246</u>	<u>16</u>	<u>1,847,252</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	202,607	1	239,773	1
Royalty income (Notes 4 and 22)	1,748,077	9	1,891,237	12
Dividend income	503,514	3	283,972	2
Other income (Notes 12, 23 and 30)	484,522	2	98,243	1
Interest expenses (Notes 15 and 30)	(92,815)	-	(103,530)	(1)
Net gain (loss) on disposal of property, plant and equipment	52,950	-	(56,700)	-
Net gain on disposal of investment (Note 14)	654,252	3	877	-
Gain on disposal of non-current assets held for sale (Note 12)	-	-	367,945	2
Net gain (loss) on foreign currency exchange (Note 34)	298,144	2	(361,237)	(2)
Net gain (loss) on fair value change of financial assets and liabilities at fair value through profit or loss	(189,979)	(1)	98,169	1
Share of loss of associates (Note 14)	(101,218)	(1)	(26,205)	-
Other expenses (Notes 15 and 30)	<u>(34,389)</u>	<u>-</u>	<u>(39,843)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,525,665</u>	<u>18</u>	<u>2,392,701</u>	<u>16</u>
INCOME BEFORE INCOME TAX	6,548,911	34	4,239,953	28
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(1,336,863)</u>	<u>(7)</u>	<u>(566,265)</u>	<u>(4)</u>
NET INCOME FOR THE YEAR	<u>5,212,048</u>	<u>27</u>	<u>3,673,688</u>	<u>24</u>

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	\$ (7,848)	-	\$ (11,269)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	3,934,750	20	279,409	2
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	<u>(200,925)</u>	<u>(1)</u>	<u>(9,536)</u>	<u>-</u>
	<u>3,725,977</u>	<u>19</u>	<u>258,604</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(1,386,491)	(7)	(74,422)	(1)
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	(34,246)	-	-	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(14,126)	-	(2,356)	-
Income tax related to items that may be reclassified subsequently to profit or loss (Note 24)	<u>7,753</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(1,427,110)</u>	<u>(7)</u>	<u>(76,778)</u>	<u>(1)</u>
Other comprehensive income for the period, net of income tax	<u>2,298,867</u>	<u>12</u>	<u>181,826</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,510,915</u>	<u>38</u>	<u>\$ 3,855,514</u>	<u>25</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,150,045	26	\$ 3,602,589	23
Non-controlling interests	<u>62,003</u>	<u>1</u>	<u>71,099</u>	<u>1</u>
	<u>\$ 5,212,048</u>	<u>27</u>	<u>\$ 3,673,688</u>	<u>24</u>

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,516,616	38	\$ 3,772,223	25
Non-controlling interests	<u>(5,701)</u>	<u>-</u>	<u>83,291</u>	<u>-</u>
	<u>\$ 7,510,915</u>	<u>38</u>	<u>\$ 3,855,514</u>	<u>25</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 4.53</u>		<u>\$ 3.18</u>	
Diluted	<u>\$ 4.52</u>		<u>\$ 3.17</u>	

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

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company							Other Equity			Non-controlling Interests	Total Equity	
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Treasury Shares	Total			
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings							Total
BALANCE AT JANUARY 1, 2020	1,140,468	\$ 11,404,677	\$ 10,306,993	\$ 1,773,654	\$ 255,475	\$ 5,399,253	\$ 7,428,382	\$ (937,787)	\$ 907,906	\$ (110,032)	\$ 29,000,139	\$ 452,645	\$ 29,452,784
Appropriation of 2019 earnings													
Legal reserve	-	-	-	308,077	-	(308,077)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(154,916)	154,916	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,268,726)	(2,268,726)	-	-	-	(2,268,726)	-	(2,268,726)
Changes in equity of associates accounted for using the equity method	-	-	4,090	-	-	-	-	-	-	-	4,090	227	4,317
Net income for the year ended December 31, 2020	-	-	-	-	-	3,602,589	3,602,589	-	-	-	3,602,589	71,099	3,673,688
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(9,129)	(9,129)	(86,656)	265,419	-	169,634	12,192	181,826
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	3,593,460	3,593,460	(86,656)	265,419	-	3,772,223	83,291	3,855,514
Share-based payments	-	-	(547)	-	-	-	-	-	-	-	(547)	-	(547)
Difference between consideration and carrying amount resulting from disposal of subsidiaries	-	-	-	-	-	(110)	(110)	1,541	-	-	1,431	-	1,431
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	7,864	7,864	-	(7,864)	-	-	-	-
BALANCE AT DECEMBER 31, 2020	1,140,468	11,404,677	10,310,536	2,081,731	100,559	6,578,580	8,760,870	(1,022,902)	1,165,461	(110,032)	30,508,610	536,163	31,044,773
Appropriation of 2020 earnings													
Legal reserve	-	-	-	360,122	-	(360,122)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(29,881)	29,881	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,062,779)	(3,062,779)	-	-	-	(3,062,779)	-	(3,062,779)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	4,750	-	-	(1,817)	(1,817)	-	-	-	2,933	240	3,173
Other changes in capital surplus	-	-	34	-	-	-	-	-	-	-	34	-	34
Net income for the year ended December 31, 2021	-	-	-	-	-	5,150,045	5,150,045	-	-	-	5,150,045	62,003	5,212,048
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(5,980)	(5,980)	(1,337,425)	3,709,976	-	2,366,571	(67,704)	2,298,867
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	5,144,065	5,144,065	(1,337,425)	3,709,976	-	7,516,616	(5,701)	7,510,915
Cancellation of treasury shares	(63)	(630)	(505)	-	-	-	-	-	-	1,135	-	-	-
Share-based payments	-	-	93,201	-	-	-	-	-	-	-	93,201	17	93,218
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	159,863	159,863	-	(159,863)	-	-	-	-
Treasury shares transferred to employees	-	-	(346)	-	-	-	-	-	-	108,897	108,551	-	108,551
BALANCE AT DECEMBER 31, 2021	<u>1,140,405</u>	<u>\$ 11,404,047</u>	<u>\$ 10,407,670</u>	<u>\$ 2,441,853</u>	<u>\$ 70,678</u>	<u>\$ 8,487,671</u>	<u>\$ 11,000,202</u>	<u>\$ (2,360,327)</u>	<u>\$ 4,715,574</u>	<u>\$ -</u>	<u>\$ 35,167,166</u>	<u>\$ 530,719</u>	<u>\$ 35,697,885</u>

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

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 6,548,911	\$ 4,239,953
Adjustments for		
Depreciation expenses	585,664	693,358
Amortization expenses	478,325	479,774
Expected credit loss recognized on accounts receivable	9,769	17,642
Net gain (loss) on fair value changes of financial assets and liabilities at fair value through profit or loss	189,979	(98,169)
Interest expenses	92,815	103,530
Interest income	(202,607)	(239,773)
Dividend income	(503,514)	(283,972)
Compensation costs of share-based payments	93,218	(547)
Share of loss of associates and joint ventures accounted for using the equity method	101,218	26,205
Net loss (gain) on disposal of property, plant and equipment	(52,950)	56,700
Net gain on disposal of non-current assets held for sale	-	(367,945)
Net gain on disposal of investments	(654,252)	(877)
Impairment loss	13,863	17,859
Write-downs of inventories (reversed)	(75,229)	204,198
Net unrealized loss (gain) on foreign currency exchange	(38,622)	1,945
Gain on lease modification	(2)	(90)
Other revenue	(363,579)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	226,029	-
Contract assets	12,402	10,417
Accounts receivable	(1,890,337)	594,803
Other receivables	37,171	60,884
Inventories	(2,130,190)	(428,262)
Prepayments	(159,792)	(40,676)
Other current assets	8,881	(6,390)
Financial liabilities held for trading	(188,947)	(32,134)
Contract liabilities	1,483,414	(431,699)
Notes and accounts payable	1,559,252	429,799
Other payables	483,059	84,983
Other current liabilities	(55,290)	57,679
Net defined benefit liabilities	(2,264)	1,459
Cash generated from operations	5,606,395	5,150,654
Income tax paid	(915,958)	(233,448)
Net cash generated from operating activities	<u>4,690,437</u>	<u>4,917,206</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(6,718,810)	(2,221,741)
Proceeds from disposal of financial assets at fair value through other comprehensive income	408,040	42,136

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Acquisition of financial assets at amortized cost	\$ (8,058,949)	\$ (12,568,364)
Proceeds from disposal of financial assets at amortized cost	7,665,046	16,362,525
Acquisition of financial assets at fair value through profit or loss	(3,480,122)	(2,664,667)
Proceeds from disposal of financial assets at fair value through profit or loss	3,367,552	1,739,936
Acquisition of associates	(55,470)	-
Proceeds from disposal of non-current assets held for sale	-	467,091
Acquisition of property, plant and equipment	(1,831,758)	(755,905)
Proceeds from disposal of property, plant and equipment	63,032	59,827
Acquisition of other intangible assets	(41,447)	(104,644)
Decrease in other non-current assets	37,019	26,557
Interest received	124,697	248,111
Dividends received	503,514	283,972
Deferred revenue	<u>-</u>	<u>962,015</u>
Net cash generated from (used in) investing activities	<u>(8,017,656)</u>	<u>1,876,849</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	901,653
Decrease in short-term borrowings	(1,592,376)	-
Increase in short-term bills payable	3,838,934	225,725
Increase in long-term borrowings	784,340	63,000
Repayment of the principal portion of lease liabilities	(69,586)	(70,458)
Increase (decrease) in other non-current liabilities	(3,324)	1,224
Cash dividends	(3,062,779)	(2,268,726)
Proceeds from treasury shares transferred to employees	108,551	-
Interest paid	(98,034)	(108,603)
Regain overdue dividends	<u>34</u>	<u>-</u>
Net cash used in financing activities	<u>(94,240)</u>	<u>(1,256,185)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(781,453)</u>	<u>369,171</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,202,912)	5,907,041
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,954,147</u>	<u>7,047,106</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,751,235</u>	<u>\$ 12,954,147</u>

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

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

E Ink Holdings Inc. (the “Company”) was incorporated in June 1992 in the Hsinchu Science Park. The Company’s shares have been listed on the Taipei Exchange (TPEX) Mainboard since March 30, 2004. The Company mainly researches, develops, manufactures and sells electronic paper display panels.

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

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The Group’s consolidated financial statements were approved by the Company’s board of directors on March 11, 2021.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively referred to as the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

<u>New, Amended or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New, Amended or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17- Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

See Note 13 and Tables 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main business).

e. Business combinations

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

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

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

f. Foreign currencies

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

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

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

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

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

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

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

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

h. Investments in associates and joint ventures

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

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

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

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

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

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

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

Profits and losses resulting from the downstream transactions with the associates involving assets that constitutes a business are recognized in full in the Group's consolidated financial statement.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

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

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

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

l. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

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

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

m. Non-current assets held for sale

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any dividends, interest earned and gains or losses on remeasurement recognized in non-operating income and expenses. Fair value is determined in the manner described in Note 29.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income (loss) and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

For internal credit risk management purposes, the Group determines that a financial asset is in default (without taking into account any collateral held by the Group) when internal or external information shows that the debtor is unlikely to pay its creditors.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments, including foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

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

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

o. Provisions

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

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

p. Revenue recognition

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

1) Revenue from sale of goods

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

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

2) Licensing revenue

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

q. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

r. Borrowing costs

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

u. Share-based payment arrangements

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

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

v. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Impairment of Goodwill

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 509	\$ 535
Checking accounts and demand deposits	6,804,813	11,177,373
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	1,945,913	1,377,311
Repurchase agreements collateralized by notes	<u>-</u>	<u>398,928</u>
	<u>\$ 8,751,235</u>	<u>\$ 12,954,147</u>

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

	<u>December 31</u>	
	2021	2020
Demand deposits	0.01%-1.00%	0.01%-1.15%
Time deposits	0.25%-1.24%	0.35%-1.76%
Repurchase agreements collateralized by notes	-	0.23%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 3,097	\$ 291,853
Non-derivative financial assets		
Mutual funds	-	292,266
Hybrid financial assets		
Structured deposits	<u>96,304</u>	<u>1,415,089</u>
	<u>\$ 99,401</u>	<u>\$ 1,999,208</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 613,233	\$ 292,913
Perpetual bonds	2,437,101	1,006,183
Hybrid financial assets		
Convertible preferred shares	121,099	58,188
Convertible bonds	<u>258,153</u>	<u>231,727</u>
	<u>\$ 3,429,586</u>	<u>\$ 1,589,011</u>
<u>Financial liabilities - current</u>		
Held for trading		
Derivative financial liabilities (not under hedge accounting)	<u>\$ 221,939</u>	<u>\$ -</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	USD/NTD	2022.02	USD6,000/NTD166,080
Sell	USD/KRW	2022.01-2022.04	USD216,000/KRW246,979,550
<u>December 31, 2020</u>			
Sell	USD/NTD	2021.01-2021.03	USD40,750/NTD1,160,560
Sell	USD/KRW	2021.01-2021.06	USD139,500/KRW162,521,500

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Investments in equity instruments at FVTOCI	\$ 15,899,737	\$ 6,426,148
Investments in debt instruments at FVTOCI	<u>899,612</u>	<u>503,499</u>
	<u>\$ 16,799,349</u>	<u>\$ 6,929,647</u>

a. Investments in equity instruments at FVTOCI

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 11,726,698	\$ 4,992,750
Unlisted shares	<u>43,313</u>	<u>37,050</u>
	<u>11,770,011</u>	<u>5,029,800</u>
Foreign investments		
Listed shares	3,892,888	1,330,569
Unlisted shares	<u>236,838</u>	<u>65,779</u>
	<u>4,129,726</u>	<u>1,396,348</u>
	<u>\$ 15,899,737</u>	<u>\$ 6,426,148</u>

The Group holds the above investments in equity instruments for long-term strategic purposes and expects to gain profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

b. Investments in debt instruments at FVTOCI

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Non-current</u>		
Foreign investments		
Straight corporate bonds		
5-year	\$ 58,764	\$ 60,230
10-year	317,790	347,109
10.5-year	262,589	96,160
11-year	<u>260,469</u>	<u>-</u>
	<u>\$ 899,612</u>	<u>\$ 503,499</u>
Coupon rates	3.10%-4.84%	3.10%-4.63%
Effective interest rates	2.00%-4.03%	2.14%-4.03%

The Group invests only in debt instruments that have low credit risk for the purpose of impairment assessment. The Group's exposure and the external credit ratings are continuously monitored. And the Group makes an assessment of whether there has been a significant increase in credit risk since the last period to the reporting date.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 568,065	\$ 775,515
Pledged time deposits (b)	1,930,980	1,913,300
Principal guaranteed wealth management products (c)	<u>-</u>	<u>392,836</u>
	<u>\$ 2,499,045</u>	<u>\$ 3,081,651</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 1 year (d)	\$ 703,341	\$ 226,972
Pledged time deposits (b)	132,580	148,928
Foreign straight corporate bonds (e)	<u>517,809</u>	<u>185,675</u>
	<u>\$ 1,353,730</u>	<u>\$ 561,575</u>

- a. The market rate intervals for time deposits with original maturities of more than 3 months and not exceeding 1 year were 1.00%-1.15% and 1.27%-1.40% per annum as of December 31, 2021 and 2020, respectively.
- b. Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.
- c. Principal guaranteed wealth management products bought from banks by the Group may not be redeemed in advance during the term of the contracts. The expected rate of return was 3.25% per annum as of December 31, 2020.
- d. The market rate for time deposits with original maturities of more than 1 year were all 3.99% per annum as of December 31, 2021 and 2020.
- e. The Group bought 10-year foreign corporate bonds with a coupon rate of 4.10%-4.49%, and an effective rate of 4.10%-4.46% in September 2021 and December 2020.
- f. The credit risk of financial instruments such as time deposits, wealth management products, and corporate bonds invested by the Group is measured and monitored by the financial department. The Group's counterparties are all reputable banks and companies.

10. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2021	2020
Accounts receivable	\$ 3,189,550	\$ 1,406,322
Less: Loss allowance	<u>(23,658)</u>	<u>(25,466)</u>
	<u>3,165,892</u>	<u>1,380,856</u>
Accounts receivable from related parties (Note 30)	99,006	26,722
Less: Loss allowance	<u>(17,177)</u>	<u>(17,673)</u>
	<u>81,829</u>	<u>9,049</u>
	<u>\$ 3,247,721</u>	<u>\$ 1,389,905</u>

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

The following table details the loss allowance for accounts receivable.

December 31, 2021

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	99%	
Gross carrying amount	\$ 3,241,048	\$ 6,164	\$ 41,344	\$ 3,288,556
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>(40,835)</u>	<u>(40,835)</u>
Amortized cost	<u>\$ 3,241,048</u>	<u>\$ 6,164</u>	<u>\$ 509</u>	<u>\$ 3,247,721</u>

December 31, 2020

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	99%	
Gross carrying amount	\$ 1,389,237	\$ 159	\$ 43,648	\$ 1,433,044
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>(43,139)</u>	<u>(43,139)</u>
Amortized cost	<u>\$ 1,389,237</u>	<u>\$ 159</u>	<u>\$ 509</u>	<u>\$ 1,389,905</u>

The movements of the loss allowance were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 43,139	\$ 26,504
Add: Expected credit losses recognized	-	17,642
Foreign exchange translation gains and losses	<u>(2,304)</u>	<u>(1,007)</u>
Balance at December 31	<u>\$ 40,835</u>	<u>\$ 43,139</u>

Accounts receivable of the Group were mainly concentrated in customers A, B, C, D and E. The accounts receivable from the foregoing customers, as of December 31, 2021 and 2020, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
Customer A	\$ 1,208,209	\$ 672,851
Customer B	660,752	73,961
Customer C	472,701	185,060
Customer D	234,796	104,806
Customer E	<u>189,400</u>	<u>177,781</u>
	<u>\$ 2,765,858</u>	<u>\$ 1,214,459</u>

11. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 1,007,888	\$ 556,685
Semi-finished goods	456,693	316,051
Work in progress	251,775	106,362
Raw materials	<u>2,425,666</u>	<u>1,061,331</u>
	<u>\$ 4,142,022</u>	<u>\$ 2,040,429</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 included reversals of write-downs of inventories of \$(75,229) thousand and write-down of inventories of \$204,198 thousand, respectively. Previous write-downs were reversed due to the disposal of slow moving inventories.

12. NON-CURRENT ASSETS HELD FOR SALE

	December 31	
	2021	2020
Land use rights, plant and equipment held for sale	<u>\$ -</u>	<u>\$ 9,342</u>
Liabilities directly associated with equipment held for sale (included in other current liabilities)	<u>\$ -</u>	<u>\$ 17,919</u>

- a. In November 2019, the subsidiary Yangzhou Huaxia Integrated O/E System Co., Ltd. signed an expropriation and compensation agreement with Yangzhou Economic and Technological Development Zone's Demolition Placement Management Office, disposing of the land use rights of 182.77 mus, along with the building's accessories and related subsidies, with an amount of RMB328,986 thousand. Due to the sale price is expected to exceed the carrying amount of the related net assets, the Group did not recognize impairment loss when the land use rights, plant and equipment were reclassified as non-current assets held for sale. The Group had received all payments in October 2020 and recognized gains on disposal of non-current assets held for sale of NT\$367,945 thousand (RMB85,436 thousand) and deferred revenue of NT\$962,015 thousand (RMB220,400 thousand). The Group had recognized revenue from government grants in the amount of \$363,579 thousand (RMB84,312 thousand, included in other income) for the year ended December 31, 2021, based on the progress the performance obligation is satisfied.

- b. The subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., is expected to dispose of a batch of equipment to a non-related party. Transcend Optronics (Yangzhou) Co., Ltd. has received partial contract price of NT\$17,919 thousand (RMB4,105 thousand, included in other current liabilities), respectively, as of December 31, 2020. The sale price is expected to exceed the carrying amount of the related net assets. Hence, the Group did not recognize impairment loss when the aforementioned equipment was reclassified as non-current assets held for sale.

As the above-mentioned transactions did not proceed as expected, the Group reclassified such equipment to property, plant and equipment, and recognized depreciation expenses for the three months ended March 31, 2021.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			2021	2020	
E Ink Holdings Inc.	PVI Global Limited (originally named PVI Global Corp.)	Investment	100.00	100.00	a., h. and i.
	E Ink Corporation	Manufacture and sale of electronic ink	45.31	45.31	h.
	YuanHan Materials Inc.	Research, development and sale of electronic parts and electronic ink	100.00	100.00	
	New Field e-Paper Co., Ltd.	Wholesale and sale of electronic parts	100.00	100.00	
	Dream Universe Ltd.	Trading	100.00	100.00	
	Prime View Communications Ltd.	Trading	100.00	100.00	
	Tech Smart Logistics Ltd.	Trading	0.09	0.09	
	Hot Tracks International Ltd.	Trading	-	-	e.
	Linfiny Corporation	Research and development of electronic ink	4.00	4.00	
	E Ink Japan Inc.	Development of electronics ink products	100.00	100.00	c.
New Field e-Paper Co., Ltd.	E Ink Corporation	Manufacture and sale of electronic ink	12.88	12.88	h.
	Tech Smart Logistics Ltd.	Trading	99.91	99.91	
YuanHan Materials Inc.	Lucky Joy Holdings Ltd.	Investment	-	-	d.
	Linfiny Corporation	Research and development of electronic ink	77.00	77.00	
Linfiny Corporation	Linfiny Japan Inc.	Research and development of electronic ink	100.00	100.00	
E Ink Corporation	E Ink California, LLC	Research, development and sale of electronic ink	100.00	100.00	h.
	E Ink Japan Inc.	Development of electronics ink products	-	-	c.
PVI Global Limited (originally named PVI Global Corp.)	PVI International Corp.	Trading	100.00	100.00	a. and h.
	Ruby Lustre Ltd.	Investment	100.00	100.00	
	Dream Pacific International Limited (originally named Dream Pacific International Corp.)	Investment	100.00	100.00	h. and i.
Tech Smart Logistics Ltd.	Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	55.61	55.61	b.
	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of flat panels	-	-	f.
	E Ink Corporation	Manufacture and sale of electronic ink	41.81	41.81	h.
PVI International Corp.	Transcend Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	100.00	100.00	a.
Ruby Lustre Ltd.	Rich Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	100.00	100.00	

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2021	2020	
Dream Pacific International Limited (originally named Dream Pacific International Corp.)	Hydis Technologies Co., Ltd.	Research, development and licensing of monitors	94.73	94.73	i.
	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	-	24.19	g.
Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	-	75.81	g.
	Transyork Technology Yanzhou Ltd.	Assembly and sale of display panels	44.39	44.39	b.
	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of flat panels	-	-	f.

(Concluded)

- a. In January 2020 and June 2021, the Group respectively invested US\$9,000 thousand in cash in its subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., through PVI Global Limited and PVI International Corp.
- b. In February 2020, the subsidiary Transyork Technology Yangzhou Ltd. resolved to implement a capital reduction and refund of share proceeds totaling US\$35,000 thousand to PVI Global Limited and Transcend Optronics (Yangzhou) Co., Ltd., and the capital reduction has been completed.
- c. To adjust the investment structure, the Company purchased 100% ownership of E Ink Japan Inc. from E Ink Corporation in September 2020.
- d. Lucky Joy Holdings Ltd. has completed its liquidation process in March 2020.
- e. Hot Tracks International Ltd. had completed its liquidation process in October 2020.
- f. Transmart Electronics (Yangzhou) Ltd. had completed its liquidation process in November 2020.
- g. Yangzhou Huaxia Integrated O/E System Co., Ltd. had completed its liquidation process in January 2021.
- h. To improve the Group's strategic development and arrange long-term operating strategy, the Company's board of directors approved in November 2021 an adjustment to the organizational structure. The Company planned to transfer all its shares of E Ink Corporation to Dream Pacific International Limited, and to migrate PVI Global Limited and Dream Pacific International Limited to the Netherlands.
- i. Dream Pacific International Limited and PVI Global Limited were renamed by the board of directors on November 5, 2021.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Associates and joint ventures that are not individually material		
Investments in associates	\$ 631,889	\$ 30,388
Investments in joint ventures	<u>101,753</u>	<u>99,658</u>
	<u>\$ 733,642</u>	<u>\$ 130,046</u>

Refer to Tables 7 and 8 for the nature of activities, principal place of business and country of incorporation of the associates.

Aggregate Information of Associates and Joint Ventures That Are Not Individually Material

	<u>For the Year Ended December 31</u>	
	2021	2020
The Group's share of:		
Net loss for the year	\$ (101,218)	\$ (26,205)
Other comprehensive loss	<u>(14,126)</u>	<u>(2,356)</u>
Total comprehensive loss	<u>\$ (115,344)</u>	<u>\$ (28,561)</u>

In May 2021, the subsidiary E Ink Corporation used its microfluidic technology (including related equipment and inventory, etc. amounted to approximately US\$1,909 thousand) to exchange for Nuclera Nucleics Ltd.'s 26.5% equity share. The investment was accounted for using the equity method. The transaction price was US\$25,000 thousand and recognized gain on disposal of investments was \$663,600 thousand (included in net gain on disposal of investment).

Except for some associates whose share of profit or loss and other comprehensive income were calculated based on financial statements which have not been audited, associates and joint ventures that are not individually material were calculated based on audited financial statements. Management believes that it would not cause material impact even if the calculation of the investments stated above is based on financial statements which have been audited.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ -	\$ 3,686,606	\$ 7,075,310	\$ 4,741,387	\$ 477,102	\$ 15,980,405
Additions	-	57,062	252,145	209,587	309,507	828,301
Disposals	-	(246,055)	(613,994)	(221,691)	-	(1,081,740)
Reclassifications	-	-	(30,548)	(294,611)	(47,369)	(372,528)
Effects of foreign currency exchange differences	<u>-</u>	<u>6,833</u>	<u>(6,781)</u>	<u>(77,275)</u>	<u>(14,407)</u>	<u>(91,630)</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 3,504,446</u>	<u>\$ 6,676,132</u>	<u>\$ 4,357,397</u>	<u>\$ 724,833</u>	<u>\$ 15,262,808</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ 2,142,707	\$ 6,339,409	\$ 3,393,972	\$ -	\$ 11,876,088
Depreciation expenses	-	127,129	266,774	216,457	-	610,360
Impairment losses recognized (reversed)	-	-	20,665	(2,806)	-	17,859

(Continued)

	Land	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Disposals	\$ -	\$ (166,327)	\$ (595,447)	\$ (224,539)	\$ -	\$ (986,313)
Reclassifications	-	-	(10,648)	(291,804)	-	(302,452)
Effects of foreign currency exchange differences	-	5,694	1,413	(35,751)	-	(28,644)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 2,109,203</u>	<u>\$ 6,022,166</u>	<u>\$ 3,055,529</u>	<u>\$ -</u>	<u>\$ 11,186,898</u>
Carrying amount at December 31, 2020	<u>\$ -</u>	<u>\$ 1,395,243</u>	<u>\$ 653,966</u>	<u>\$ 1,301,868</u>	<u>\$ 724,833</u>	<u>\$ 4,075,910</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ -	\$ 3,504,446	\$ 6,676,132	\$ 4,357,397	\$ 724,833	\$ 15,262,808
Additions	-	1,515	34,984	21,393	1,781,771	1,839,663
Disposals	-	(301,763)	(798,444)	(84,256)	(22,823)	(1,207,286)
Reclassifications	21,914	298,983	492,899	401,610	(1,195,644)	19,762
Effects of foreign currency exchange differences	(258)	(17,061)	(27,052)	(58,537)	(11,562)	(114,470)
Balance at December 31, 2021	<u>\$ 21,656</u>	<u>\$ 3,486,120</u>	<u>\$ 6,378,519</u>	<u>\$ 4,637,607</u>	<u>\$ 1,276,575</u>	<u>\$ 15,800,477</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ -	\$ 2,109,203	\$ 6,022,166	\$ 3,055,529	\$ -	\$ 11,186,898
Depreciation expenses	-	133,535	150,555	217,608	-	501,698
Impairment losses recognized (reversed)	-	-	13,863	-	-	13,863
Disposals	-	(301,324)	(789,315)	(75,039)	-	(1,165,678)
Reclassifications	-	-	50,795	-	-	50,795
Effects of foreign currency exchange differences	-	(8,773)	(18,202)	(34,771)	-	(61,746)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,932,641</u>	<u>\$ 5,429,862</u>	<u>\$ 3,163,327</u>	<u>\$ -</u>	<u>\$ 10,525,830</u>
Carrying amount at December 31, 2021	<u>\$ 21,656</u>	<u>\$ 1,553,479</u>	<u>\$ 948,657</u>	<u>\$ 1,474,280</u>	<u>\$ 1,276,575</u>	<u>\$ 5,274,647</u>

(Concluded)

For part of the Group's equipment with no future use, the Group assessed its recoverable amount to be zero. It performed an assessment of the recoverable amount of property, plant and equipment and recognized an impairment loss of \$13,863 thousand and \$17,859 thousand which were recognized in miscellaneous disbursements for the years ended December 31, 2021 and 2020, respectively. The impairment loss is mainly from the segments of the ROC and Asia.

Information about the capitalized interest is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Capitalized interest	<u>\$ 4,737</u>	<u>\$ 1,274</u>
Capitalization rate intervals	0.77%-0.85%	0.83%-0.98%

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

Buildings	
Main buildings	20-56 years
Clean rooms and plumbing construction	25-30 years
Employee dormitories	20 years
Others	2-20 years
Machinery	1-11 years
Other equipment	1-26 years

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 793,115	\$ 813,459
Buildings	870,904	831,441
Other equipment	<u>4,650</u>	<u>1,809</u>
	<u>\$ 1,668,669</u>	<u>\$ 1,646,709</u>
	<u>For the Year Ended December 31</u>	
	2021	2020
Additions to right-of-use assets	<u>\$ 176,512</u>	<u>\$ 11,158</u>
Depreciation of right-of-use assets		
Land	\$ 26,624	\$ 24,880
Buildings	55,100	56,360
Other equipment	<u>2,242</u>	<u>1,758</u>
	<u>\$ 83,966</u>	<u>\$ 82,998</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Current (included in other current liabilities)	<u>\$ 83,312</u>	<u>\$ 62,045</u>
Non-current	<u>\$ 1,632,196</u>	<u>\$ 1,617,605</u>

Discount rate intervals for lease liabilities are as follows:

	December 31	
	2021	2020
Land	0.56%-1.56%	1.56%
Buildings	0.60%-2.89%	0.65%-3.84%
Other equipment	0.60%-2.89%	0.61%-2.89%

c. Material lease-in activities and terms

The Group leased certain land in the Hsinchu Science Park from the Hsinchu Science Park Bureau of the Ministry of Science and Technology from July 1, 2014 to December 31, 2033. The rental amount is calculated on the basis of the mutual agreement. The lessor may adjust the rent at any time on the basis of changes in announced land values and related laws and regulations. At the end of the lease terms, the Group has renewal options if the Group does not violate the lease agreements during the rental period.

The Group also leased certain land and buildings as its plants and offices, with the lease term from 2 to 20 years. The lease contract for land located in Taoyuan specifies that lease payments will be adjusted every year on the basis of changes in announced land values, with the adjusted limitation of 3% and renewal options at the end of the lease terms. The lease contract for buildings in the United States contains extension options, which provide more operational flexibility for the Group. These terms are not reflected in measuring lease liabilities if the options are not reasonably certain to be exercised.

The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, without the lessors' consent, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets, changing their use, or using illegally.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 38,565</u>	<u>\$ 50,852</u>
Expenses relating to low-value asset leases	<u>\$ 528</u>	<u>\$ 587</u>
Total cash outflow for leases	<u>\$ 151,382</u>	<u>\$ 155,671</u>

The Group's leases of other equipment qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Patents	Others	Total
Balance at January 1, 2020	\$ 6,720,745	\$ 1,242,606	\$ 144,490	\$ 8,107,841
Additions	-	83,023	21,621	104,644
Amortization expenses	-	(406,542)	(73,232)	(479,774)
Reclassifications	-	32,380	47,639	80,019
Effects of foreign currency exchange differences	<u>(123,469)</u>	<u>(26,372)</u>	<u>98</u>	<u>(149,743)</u>
Balance at December 31, 2020	6,597,276	925,095	140,616	7,662,987
Additions	-	40,857	590	41,447
Amortization expenses	-	(392,578)	(85,747)	(478,325)
Reclassifications	-	(2,941)	76,865	73,924
Effects of foreign currency exchange differences	<u>(65,849)</u>	<u>(19,460)</u>	<u>(46)</u>	<u>(85,355)</u>
Balance at December 31, 2021	<u>\$ 6,531,427</u>	<u>\$ 550,973</u>	<u>\$ 132,278</u>	<u>\$ 7,214,678</u>

The Group recognized goodwill in acquiring the patented technologies of electronic ink and electronic paper, which are mainly used in researching, developing, and manufacturing monitors and electronic shelf labels. The carrying amount of goodwill was allocated to the cash-generating units of these two products, and the recoverable amount of each cash-generating unit was determined based on a value in use calculation. The recoverable amount was determined by management based on financial budgets covering a 5-year period and discount rates of 13.82%-13.95% and 12.20%-12.41% per annum for the years ended December 31, 2021 and 2020, respectively. The cash flows beyond that 5-year period have been extrapolated using a steady annual growth rate. Other key assumptions included budgeted revenue and budgeted gross profit. Such assumptions were based on the past performance of the cash-generating unit and management's expectations of market development.

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

Patents	6-20 years
Others	1-5 years

18. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2021	2020
Unsecured borrowings	\$ 2,165,200	\$ 3,769,200
Secured borrowings (Note 31)	<u>1,601,797</u>	<u>1,625,045</u>
	<u>\$ 3,766,997</u>	<u>\$ 5,394,245</u>
Foreign currency included		
USD (in thousands)	<u>\$ 59,500</u>	<u>\$ 83,014</u>
Interest rate intervals	0.35%-1.20%	0.45%-1.20%

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	\$ 4,645,000	\$ 806,000
Less: Discounts on bills payable	<u>(454)</u>	<u>(388)</u>
	<u>\$ 4,644,546</u>	<u>\$ 805,612</u>
Interest rate intervals	0.38%-0.68%	0.31%-0.65%

As of December 31, 2021, commercial papers include a syndicated loan agreement with syndicate of banks, and the total is \$3,400,000 thousand, refer to c. long-term borrowings.

c. Long-term borrowings

	December 31	
	2021	2020
Syndicated loans	\$ 459,340	\$ -
Unsecured borrowings	<u>388,000</u>	<u>63,000</u>
	<u>\$ 847,340</u>	<u>\$ 63,000</u>
Interest rate intervals	0.65%-1.00%	0.65%-0.80%

Long-term unsecured borrowings will expire in December 2026, and interests are repaid on a monthly basis.

To enrich medium-term working capital, the Group entered into a syndicated loan agreement with syndicate of seven banks led by Mega International Commercial Bank Co., Ltd. on December 15, 2020, and the total credit facility is \$6,800,000 thousand (including commercial promissory note, total is \$5,440,000 thousand). The duration period is within 5 years from the first drawdown date (August 2021). As of December 31, 2021, long-term borrowings of US\$17,000 thousand and commercial paper of \$3,400,000 thousand had been used.

The Group promises that during the credit period, its semi-annual reviewed current ratio shall not be less than 100%, debt ratio shall not exceed 200%, interest coverage ratio shall not be less than 5 times, and tangible net worth shall not be less than \$15,000,000 thousand. The Group should meet certain financial ratios based on audited consolidated annual financial statements and reviewed consolidated financial statements for the six months ended June 30, 2021.

19. OTHER PAYABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Payables for salaries or bonuses	\$ 1,071,222	\$ 835,158
Payables for construction and equipment	197,792	191,397
Payable for professional service fees	95,330	63,877
Payables for utilities	29,475	27,699
Payables for labors and health insurances	22,144	23,625
Payables for pensions	14,459	14,954
Others	<u>415,576</u>	<u>254,027</u>
	<u>\$ 1,845,998</u>	<u>\$ 1,410,737</u>

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Present value of defined benefit obligation	\$ 174,168	\$ 168,440
Fair value of plan assets	<u>(69,811)</u>	<u>(67,827)</u>
Net defined benefit liabilities	<u>\$ 104,357</u>	<u>\$ 100,613</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	\$ 153,393	\$ (65,793)	\$ 87,600
Current service cost	4,538	-	4,538
Net interest expense (income)	<u>1,376</u>	<u>(510)</u>	<u>866</u>
Recognized in profit or loss	<u>5,914</u>	<u>(510)</u>	<u>5,404</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,222)	(2,222)
Actuarial (gain) loss			
Changes in demographic assumptions	5,308	-	5,308
Changes in financial assumptions	4,293	-	4,293
Experience adjustments	<u>3,890</u>	<u>-</u>	<u>3,890</u>
Recognized in other comprehensive income or loss	<u>13,491</u>	<u>(2,222)</u>	<u>11,269</u>
Contributions from the employer	-	(3,777)	(3,777)
Benefits paid	(4,643)	4,475	(168)
Exchange differences on foreign plans	<u>285</u>	<u>-</u>	<u>285</u>
Balance at December 31, 2020	<u>168,440</u>	<u>(67,827)</u>	<u>100,613</u>
Service cost			
Current service cost	5,418	-	5,418
Past service cost	158	-	158
Net interest expense (income)	<u>1,172</u>	<u>(348)</u>	<u>824</u>
Recognized in profit or loss	<u>6,748</u>	<u>(348)</u>	<u>6,400</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(862)	(862)
Actuarial (gain) loss			
Changes in demographic assumptions	7,082	-	7,082
Changes in financial assumptions	(465)	-	(465)
Experience adjustments	<u>2,093</u>	<u>-</u>	<u>2,093</u>
Recognized in other comprehensive income or loss	<u>8,710</u>	<u>(862)</u>	<u>7,848</u>
Contributions from the employer	-	(7,403)	(7,403)
Benefits paid	(7,890)	6,629	(1,261)
Exchange differences on foreign plans	<u>(1,840)</u>	<u>-</u>	<u>(1,840)</u>
Balance at December 31, 2021	<u>\$ 174,168</u>	<u>\$ (69,811)</u>	<u>\$ 104,357</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

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

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

	<u>December 31</u>	
	2021	2020
Discount rates	0.5%-3.5%	0.5%-3.0%
Expected rates of salary increase	2.75%-3.11%	2.75%-3.38%

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

	<u>December 31</u>	
	2021	2020
Discount rates		
0.25-1% increase	<u>\$ (5,251)</u>	<u>\$ (5,460)</u>
0.25-1% decrease	<u>\$ 5,543</u>	<u>\$ 5,785</u>
Expected rates of salary increase		
0.25-1% increase	<u>\$ 5,375</u>	<u>\$ 5,610</u>
0.25-1% decrease	<u>\$ (5,130)</u>	<u>\$ (5,336)</u>

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

	<u>December 31</u>	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 8,092</u>	<u>\$ 3,718</u>
Average duration of the defined benefit obligation	7.1-11.9 years	5-11.8 years

21. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	<u>2,000,000</u>	<u>2,000,000</u>
Amount of shares authorized	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,140,405</u>	<u>1,140,468</u>
Amount of shares issued	<u>\$ 11,404,047</u>	<u>\$ 11,404,677</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)</u>		
Issuance of shares	\$ 9,531,866	\$ 9,494,322
Conversion of bonds	525,200	525,200
Treasury share transactions	260,084	151,920
Expired employee share options	57,448	50,346
 <u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in associates (2)	8,945	4,195
Unclaimed dividends extinguished by prescription	74	40
 <u>May not be used for any purpose</u>		
Employee share options	<u>24,053</u>	<u>84,513</u>
	<u>\$ 10,407,670</u>	<u>\$ 10,310,536</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with at least 50% of any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Note 23.

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

The shareholders of the Company held their regular meeting on June 18, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation. The amendments explicitly stipulate that the board of directors are authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholder's meeting.

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

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

The appropriations of earnings for 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Legal reserve	<u>\$ 360,122</u>	<u>\$ 308,077</u>
Reversal of special reserve	<u>\$ 29,881</u>	<u>\$ 154,916</u>
Cash dividends	<u>\$ 3,062,779</u>	<u>\$ 2,268,726</u>
Dividends per share (NT\$)	<u>\$ 2.7</u>	<u>\$ 2.0</u>

The appropriations of earnings for 2019 were approved in the shareholders' meeting on June 18, 2020; the above 2020 appropriation for cash dividends had been resolved by the Company's board of directors on March 16, 2021. The other proposed appropriation was resolved by the shareholders in their meeting held on July 7, 2021.

The appropriations of earnings for 2021 were proposed by the Company's board of directors on March 11, 2022. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2021
Legal reserve	<u>\$ 530,211</u>
Cash dividends	<u>\$ 3,649,295</u>
Dividends per share (NT\$)	<u>\$ 3.2</u>

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 22, 2022.

d. Special reserve

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 100,559	\$ 255,475
Reversals		
Reversal of the debits to other equity items	<u>(29,881)</u>	<u>(154,916)</u>
Balance at December 31	<u>\$ 70,678</u>	<u>\$ 100,559</u>

If a special reserve of \$70,678 thousand appropriated on the first-time adoption of IFRSs relates to the exchange differences on translating the financial statements of foreign operations, the special reserve will be reversed proportionately on the Company's disposal of the foreign operations; on the Company's loss of significant influence; however, the entire special reserve will be reversed. An additional special reserve should be appropriated for the amount equal to the difference between the net debit balance of the reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and may thereafter be distributed.

e. Other equity items

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (1,022,902)	\$ (937,787)
Recognized during the year		
Exchange differences on translating the financial statements of foreign operations	(1,323,299)	(84,300)
Share of associates and joint ventures accounted for using the equity method	(14,126)	(2,356)
Reclassification adjustments		
Disposal of subsidiaries	<u> -</u>	<u> 1,541</u>
Balance at December 31	<u>\$ (2,360,327)</u>	<u>\$ (1,022,902)</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 1,165,461	\$ 907,906
Recognized during the year		
Unrealized gain (loss)		
Equity instruments	3,735,188	265,419
Debt instruments	(25,212)	-
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(159,863)</u>	<u>(7,864)</u>
Balance at December 31	<u>\$ 4,715,574</u>	<u>\$ 1,165,461</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 536,163	\$ 452,645
Share of profit for the year	62,003	71,099
Other comprehensive income (loss) during the year		
Remeasurement on defined benefit plans	107	(41)
Unrealized gain (loss) on financial assets at FVTOCI		
Equity instruments	(3,338)	2,355
Debt instruments	(1,281)	-
Exchange difference on translating the financial statements of foreign operations	(63,192)	9,878
Share-based payment	17	-
Adjustments relating to changes in capital surplus of associates accounted for using the equity method	<u>240</u>	<u>227</u>
Balance at December 31	<u>\$ 530,719</u>	<u>\$ 536,163</u>

g. Treasury shares

	For the Year Ended December 31	
	2021	2020
Number of shares (in thousands) at January 1	6,105	6,105
Transferred to employees	(6,042)	-
Cancelation of treasury shares	<u>(63)</u>	<u>-</u>
Number of shares (in thousands) at December 31	<u>-</u>	<u>6,105</u>

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

In June 2021, the Company transferred 6,042 thousand shares to its employees and charged the price of employee stock warrants which were exercised. The cost of treasury shares NT\$108,897 thousand had been decreased. The date to deliver the shares to employees was July 2021. Under the Securities and Exchange Act, those shares not transferred before the due date are considered as unissued shares of the Company subject to processing of the registration of the changes. On August 6, 2021, the board of directors resolved to cancel 63 thousand restricted stock, and the amount of the capital reduction was \$630 thousand. The measurement date was on August 6, 2021. The capital reduction process was completed on August 20, 2021.

22. REVENUE

a. Revenue from contracts with customers

Type of Revenue/Category by Product	For the Year Ended December 31	
	2021	2020
Revenue from sale of goods (Note)		
Consumer electronics	\$ 11,853,502	\$ 10,249,648
Internet of Things applications	7,793,514	5,108,811
Others	<u>3,548</u>	<u>4,396</u>
	<u>\$ 19,650,564</u>	<u>\$ 15,362,855</u>
Royalty income	<u>\$ 1,748,077</u>	<u>\$ 1,891,237</u>

Note: The Group mainly researches, develops, and manufactures electronic paper products. With the diversification of product applications, the business decision of the Group focused on the application categories and development of electronic paper products. Therefore, to use the application category of product to disclose the type of revenue is more in line with the development strategy of the Group devoted to applications of electronic paper products and provides more relevant information.

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable (Note 10)	<u>\$ 3,247,721</u>	<u>\$ 1,389,905</u>	<u>\$ 2,059,829</u>
Contract assets - current			
Royalty	<u>\$ 35,045</u>	<u>\$ 46,900</u>	<u>\$ 60,088</u>
Contract liabilities - current			
Royalty	\$ 2,548,518	\$ 1,187,673	\$ 1,215,378
Sale of goods	<u>710,595</u>	<u>267,997</u>	<u>83,230</u>
	<u>3,259,113</u>	<u>1,455,670</u>	<u>1,298,608</u>
Contract liabilities - non-current			
Royalty	<u>-</u>	<u>351,361</u>	<u>1,024,259</u>
	<u>\$ 3,259,113</u>	<u>\$ 1,807,031</u>	<u>\$ 2,322,867</u>

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

Type of Revenue	For the Year Ended December 31	
	2021	2020
Royalty income	\$ 1,111,441	\$ 1,183,960
Revenue from sale of goods	<u>267,422</u>	<u>81,250</u>
	<u>\$ 1,378,863</u>	<u>\$ 1,265,210</u>

23. NET INCOME

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 27,140	\$ 75,164
Financial assets at FVTPL	80,105	31,860
Financial assets at amortized cost	73,969	129,395
Others	<u>21,393</u>	<u>3,354</u>
	<u>\$ 202,607</u>	<u>\$ 239,773</u>

b. Other income

	For the Year Ended December 31	
	2021	2020
Rental income	\$ 18,582	\$ 22,498
Gain on lease modification	2	90
Government grants	363,579	-
Others	<u>102,359</u>	<u>75,655</u>
	<u>\$ 484,522</u>	<u>\$ 98,243</u>

c. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 501,698	\$ 610,360
Other intangible assets	478,325	479,774
Rights-of-use assets	<u>83,966</u>	<u>82,998</u>
	<u>\$ 1,063,989</u>	<u>\$ 1,173,132</u>
An analysis of depreciation by function		
Operating costs	\$ 179,013	\$ 281,593
Operating expenses	<u>406,651</u>	<u>411,765</u>
	<u>\$ 585,664</u>	<u>\$ 693,358</u>
An analysis of amortization by function		
Operating costs	\$ 8,228	\$ 7,815
Operating expenses	<u>470,097</u>	<u>471,959</u>
	<u>\$ 478,325</u>	<u>\$ 479,774</u>

d. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2021	2020
Post-employment benefits (Note 20)		
Defined contribution plans	\$ 89,132	\$ 72,259
Defined benefit plans	<u>6,400</u>	<u>5,404</u>
	95,532	77,663
Share-based payments		
Equity-settled	93,218	(547)
Other employee benefits	<u>4,153,948</u>	<u>3,538,588</u>
Total employee benefits expense	<u>\$ 4,342,698</u>	<u>\$ 3,615,704</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,329,700	\$ 857,008
Operating expenses	<u>3,012,998</u>	<u>2,758,696</u>
	<u>\$ 4,342,698</u>	<u>\$ 3,615,704</u>

e. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at the rates of no less than 1% and no higher than 10% as well as remuneration of directors at the rates of no higher than 1%, respectively, of net income before income tax, employees' compensation and remuneration of directors, net of accumulated deficit, if any. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 11, 2022 and March 16, 2021, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Employees' compensation	<u>\$ 53,800</u>	<u>\$ 38,650</u>
Remuneration of directors	<u>\$ 25,000</u>	<u>\$ 20,000</u>

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

24. INCOME TAXES

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 1,087,224	\$ 752,409
Income tax on unappropriated earnings	-	34,438
Adjustments for the prior years	<u>(62,200)</u>	<u>(13,819)</u>
	<u>1,025,024</u>	<u>773,028</u>
Deferred tax		
In respect of the current year	<u>311,839</u>	<u>(206,763)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,336,863</u>	<u>\$ 566,265</u>

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

	For the Year Ended December 31	
	2021	2020
Income before income tax	<u>\$ 6,548,911</u>	<u>\$ 4,239,953</u>
Income tax expense calculated at the statutory rate (20%)	\$ 1,309,782	\$ 847,991
Nondeductible expenses in determining taxable income	61,154	158,608
Tax-exempt income	(122,845)	(69,723)
Income tax on unappropriated earnings	-	34,438
Unrecognized loss carryforwards, deductible temporary differences and investment credits	(135,810)	(565,292)
Effect of different tax rates of group entities operating in other jurisdictions	203,558	68,319
Adjustments for the prior years	(62,200)	(13,819)
Others	<u>83,224</u>	<u>105,743</u>
Income tax expense recognized in profit or loss	<u>\$ 1,336,863</u>	<u>\$ 566,265</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Fair value changes of financial assets at FVTOCI		
Equity instruments	\$ 202,901	\$ -
Debt instruments	(7,753)	11,635
Remeasurement of defined benefits plans	<u>(1,976)</u>	<u>(2,099)</u>
	<u>\$ 193,172</u>	<u>\$ 9,536</u>

c. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Prepaid income tax	\$ 3,500	\$ 2,720
Tax refund receivable	<u>3,268</u>	<u>11,323</u>
	<u>\$ 6,768</u>	<u>\$ 14,043</u>
Current tax liabilities		
Income tax payable	<u>\$ 763,772</u>	<u>\$ 685,710</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Property, plant and equipment	\$ 114,274	\$ 6,324	\$ -	\$ (2,795)	\$ 117,803
Other payables	67,291	21,313	-	(2,264)	86,340
Inventories	265,779	(18,137)	-	(1,606)	246,036
Accounts receivable	49,080	(1,767)	-	(355)	46,958
Deferred revenue	44,570	59,255	-	(778)	103,047
Defined benefit plans	20,676	-	1,976	-	22,652
Prepayments	17,639	-	-	-	17,639
Others	<u>11,080</u>	<u>(32,096)</u>	<u>29,772</u>	<u>10,405</u>	<u>19,161</u>
	590,389	34,892	31,748	2,607	659,636
Loss carryforwards	64,245	(15,607)	-	(1,364)	47,274
Investment credits	<u>477,059</u>	<u>(342,123)</u>	<u>-</u>	<u>(37,053)</u>	<u>97,883</u>
	<u>\$ 1,131,693</u>	<u>\$ (322,838)</u>	<u>\$ 31,748</u>	<u>\$ (35,810)</u>	<u>\$ 804,793</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Contract liabilities	\$ 75,092	\$ (4,023)	\$ -	\$ (8,205)	\$ 62,864
Others	<u>13,376</u>	<u>(6,976)</u>	<u>224,920</u>	<u>1,328</u>	<u>232,648</u>
	<u>\$ 88,468</u>	<u>\$ (10,999)</u>	<u>\$ 224,920</u>	<u>\$ (6,877)</u>	<u>\$ 295,512</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Property, plant and equipment	\$ 110,953	\$ 8,182	\$ -	\$ (4,861)	\$ 114,274
Other payables	63,374	7,354	-	(3,437)	67,291
Inventories	205,527	63,321	-	(3,069)	265,779
Accounts receivable	22,719	26,317	-	44	49,080
Deferred revenue	26,449	18,032	-	89	44,570
Defined benefit plans	18,577	-	2,099	-	20,676
Prepayments	17,639	-	-	-	17,639
Others	17,905	4,860	(11,635)	(50)	11,080
	483,143	128,066	(9,536)	(11,284)	590,389
Loss carryforwards	74,314	(6,688)	-	(3,381)	64,245
Investment credits	429,825	52,909	-	(5,675)	477,059
	<u>\$ 987,282</u>	<u>\$ 174,287</u>	<u>\$ (9,536)</u>	<u>\$ (20,340)</u>	<u>\$ 1,131,693</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Contract liabilities	\$ 83,451	\$ (9,259)	\$ -	\$ 900	\$ 75,092
Others	37,403	(23,217)	-	(810)	13,376
	<u>\$ 120,854</u>	<u>\$ (32,476)</u>	<u>\$ -</u>	<u>\$ 90</u>	<u>\$ 88,468</u>

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

	<u>December 31</u>	
	2021	2020
Loss carryforwards		
Expire in 2020	\$ -	\$ -
Expire in 2021	-	591
Expire in 2022	-	351,033
Expire in 2023	-	370
Expire in 2024	-	290
Expire in 2025	-	316
Expire in 2026	9,176	14,332
Expire in 2027	173,609	156,218
Expire in 2028	118,419	94,453
Expire in 2029	132,596	109,255
Expire in 2030	<u>77,735</u>	<u>78,438</u>
	<u>\$ 511,535</u>	<u>\$ 805,296</u>
Deductible temporary differences	<u>\$ 378,546</u>	<u>\$ 237,075</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2021 comprised:

Unused Amount	Expiry Year
\$ 39,424	2022
39,424	2023
39,424	2024
39,424	2025
24,318	2026
173,609	2027
118,419	2028
132,596	2029
<u>77,735</u>	2030
<u>\$ 684,373</u>	

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

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$14,797,195 thousand and \$13,674,683 thousand, respectively.

h. Income tax assessments

Income tax assessments of the Group were as follows:

Company	Latest Assessment Year
The Company	2019
YuanHan Materials Inc.	2019
New Field e-Paper Co., Ltd.	2019
Linfiny Corporation	2019

25. EARNINGS PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share (NT\$)	<u>\$ 4.53</u>	<u>\$ 3.18</u>
Diluted earnings per share (NT\$)	<u>\$ 4.52</u>	<u>\$ 3.17</u>

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

Net Income for the Year

	<u>For the Year Ended December 31</u>	
	2021	2020
Net income attributable to owners of the Company	<u>\$ 5,150,045</u>	<u>\$ 3,602,589</u>

Number of Shares

	<u>For the Year Ended December 31</u>	
	2021	2020
Weighted average number of ordinary shares (in thousands) used in the computation of basic earnings per share	1,137,384	1,134,363
Effect of potentially dilutive ordinary shares (in thousands)		
Employees' compensation	507	1,149
Share-based payment arrangements	<u>2,387</u>	<u>2,464</u>
Weighted average number of ordinary shares (in thousands) used in the computation of diluted earnings per share	<u>1,140,278</u>	<u>1,137,976</u>

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

26. SHARE-BASED PAYMENT ARRANGEMENTS

a. Treasury shares transferred to employees

The board of directors resolved on May 7, 2021 and August 14, 2018 to transfer treasury shares of 1,431 thousand shares and 5,885 thousand shares, respectively, to qualified employees of the Company and its subsidiaries. In compliance with the Company's Regulations Governing Share Repurchase and Transfer to Employees, the transfer price for each arrangement is the average of the actual acquisition price of the treasury shares.

Information about treasury shares transferred to employees is as follows:

For the year ended December 31, 2021

Grant Date	Transferable Shares in Thousands	Shares in Thousands Transferred for the Year	Accumulated Shares in Thousands Transferred	Expired Shares in Thousands	Shares in Thousands at December 31
May 7, 2021	<u>1,431</u>	<u>1,368</u>	<u>1,368</u>	<u>63</u>	<u>-</u>
August 14, 2018	<u>5,885</u>	<u>4,674</u>	<u>4,714</u>	<u>1,171</u>	<u>-</u>

For the year ended December 31, 2020

Grant Date	Transferable Shares in Thousands	Shares in Thousands Transferred for the Year	Accumulated Shares in Thousands Transferred	Expired Shares in Thousands	Shares in Thousands at December 31
August 14, 2018	<u>5,885</u>	<u>-</u>	<u>40</u>	<u>549</u>	<u>5,296</u>

Treasury shares transferred to employees in 2021 and 2018 were priced using a Black-Scholes pricing model. Compensation cost recognized was \$69,148 thousand for the year ended December 31, 2021. Compensation cost was \$547 thousand for the year ended December 31, 2020, and the same amount of capital surplus - employee share options was reversed in both years. The inputs to the models were as follows:

	May 2021	August 2018
Grant date share price (NT\$)	\$61.40	\$36.85
Exercise price (NT\$)	\$18.02	\$18.02
Expected volatility	40.30%	53.23%
Expected life	0-1 year	0-1 year
Expected dividend yield	3.77%	2.46%
Risk-free interest rate	0.76%	0.91%
Weighted-average fair value of options granted (NT\$)	\$42.90	\$18.80

b. Employee share options plan

To attract and retain the professional talents needed by the Company, improve the employees' cohesion and sense of belonging to the Company, and jointly create the interests of the Company and shareholders, the board of directors of the Company resolved to issue 10,000 units of employee share options in May 2021 and December 2020, totaling 20,000 units. Each option entitles the holder to subscribe to 1,000 ordinary shares. The eligible participants in share options are the full-time employees of the Company and subsidiaries. The duration of the share options is 6 years that will expire on August 10, 2027.

Information about employee share options issued was as follows:

Share Options Grant Period	Percentage Exercisable (%) (Cumulative)
Over 2 years	40
Over 3 years	70
Over 4 years	100

	For the Year Ended December 31, 2021	
Employee Share Options	Unit	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	20,000	69-77.2
Options forfeited	<u>(105)</u>	
Balance at December 31	<u>19,895</u>	

The inputs to the models were as follows:

	August 2021	October 2021
Grant date share price (NT\$)	\$77.2	\$69
Exercise price (NT\$)	\$77.2	\$69
Expected volatility	40.50%-43.77%	40.28%-42.73%
Expected life	2-4 years	2-4 years
Expected dividend yield	3.77%	3.77%
Risk-free interest rate	0.760-0.765%	0.760-0.765%
Weighted-average fair value of options granted (NT\$)	\$14.7-\$19.8	\$13.2-\$17.2

Compensation costs recognized was \$24,070 thousand for the year ended December 31, 2021.

27. NON-CASH TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Group entered into the following non-cash investing activities:

	For the Year Ended December 31	
	2021	2020
Acquisition of property, plant and equipment		
Increase in property, plant and equipment	\$ 1,839,663	\$ 828,301
Increase in payables for construction and equipment (included in other payables)	<u>(7,905)</u>	<u>(72,396)</u>
Net cash paid	<u>\$ 1,831,758</u>	<u>\$ 755,905</u>

28. CAPITAL MANAGEMENT

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

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

29. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivate financial assets				
Foreign exchange forward contracts	\$ -	\$ 3,097	\$ -	\$ 3,097
Non-derivative financial assets				
Mutual funds	286,099	-	327,134	613,233
Perpetual bonds	-	2,437,101	-	2,437,101
Hybrid financial assets				
Convertible preferred shares	-	-	121,099	121,099
Convertible bonds	-	-	258,153	258,153
Structured deposits	-	96,304	-	96,304
	<u>\$ 286,099</u>	<u>\$ 2,536,502</u>	<u>\$ 706,386</u>	<u>\$ 3,528,987</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and overseas listed shares and emerging market shares	\$ 15,619,586	\$ -	\$ -	\$ 15,619,586
Domestic and overseas unlisted shares	-	-	280,151	280,151
Investment in debt instruments				
Overseas straight corporate bonds	-	899,612	-	899,612
	<u>\$ 15,619,586</u>	<u>\$ 899,612</u>	<u>\$ 280,151</u>	<u>\$ 16,799,349</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities				
Foreign exchange forward contracts	\$ -	\$ 221,939	\$ -	\$ 221,939

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivate financial assets				
Foreign exchange forward contracts	\$ -	\$ 291,853	\$ -	\$ 291,853
Non-derivative financial assets				
Mutual funds	585,179	-	-	585,179
Perpetual bonds	-	1,006,183	-	1,006,183
Hybrid financial assets				
Convertible preferred shares	-	-	58,188	58,188
Convertible bonds	-	-	231,727	231,727
Structured deposits	-	1,415,089	-	1,415,089
	<u>\$ 585,179</u>	<u>\$ 2,713,125</u>	<u>\$ 289,915</u>	<u>\$ 3,588,219</u>

Financial assets at FVTOCI

Investments in equity instruments				
Domestic and overseas listed shares and emerging market shares	\$ 6,323,319	\$ -	\$ -	\$ 6,323,319
Domestic and overseas unlisted shares	-	-	102,829	102,829
Investment in debt instruments				
Overseas straight corporate bonds	-	503,499	-	503,499
	<u>\$ 6,323,319</u>	<u>\$ 503,499</u>	<u>\$ 102,829</u>	<u>\$ 6,929,647</u>

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

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 392,744	\$ 894,875
Recognized in profit or loss	109,139	(20,640)
Recognized in other comprehensive income (loss)		
Unrealized gain (loss) on equity instruments	4,008	(66,294)
Exchange differences on translating the financial statements of foreign operations	(350)	280
	<u>3,658</u>	<u>(66,014)</u>
Purchases	480,996	264,718
Transfer out (Note)	-	(680,195)
Balance at December 31	<u>\$ 986,537</u>	<u>\$ 392,744</u>

Note: The transfer restrictions on the overseas listed private shares held by the Group had been lifted since the end of June 2020; therefore, the shares were transferred out of Level 3 to Level 1 fair value measurement.

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

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

Derivatives - structured deposits were evaluated by the discounted cash flow method. Future cash flows are estimated based on the observable interest rate at the end of the reporting year, discounted at the market interest rate.

Non-derivatives - the fair value of perpetual bonds and straight corporate bonds was determined by quoted market prices provided by the third party.

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

a) Domestic and overseas unlisted shares were evaluated by the market approach, referring to the market share prices and situations of companies with similar conditions. Unobservable input used by the Group was discount for lack of marketability, which was 16%-20% and 20% as of December 31, 2021 and 2020, respectively. If the discount for lack of marketability increased by 1% while all other variables were held constant, the fair value would have decreased \$2,857 thousand and \$822 thousand, respectively.

b) The fair value of convertible preferred shares was determined using the Binomial Option Pricing Model and Black-Scholes Model. The significant unobservable input used is share price volatility. The share price volatility used was 64.48% and 60.07% as of December 31, 2021 and 2020, respectively.

c) The fair value of convertible bonds was determined using the Binomial Option Pricing Model and Black-Scholes Model. The significant unobservable input used is share price volatility. The share price volatility used was both 47.47% as of December 31, 2021 and 2020, respectively.

d) The foreign private funds held by the Group were valued using the asset-based approach and were based on the net asset value measured at fair value.

b. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
FVTPL	\$ 3,528,987	\$ 3,588,219
Amortized cost (Note 1)	16,019,513	18,128,323
FVTOCI		
Equity instruments	15,899,737	6,426,148
Debt instruments	899,612	503,499
<u>Financial liabilities</u>		
FVTPL	221,939	-
Amortized cost (Note 2)	14,228,873	9,239,662

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable and other receivables.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, other payables and long-term borrowings.

c. Financial risk management objectives and policies

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

1) Market risk

The Group's activities exposed it primarily to foreign currency risk, interest rate risk and other price risk.

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign-currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting years are set out in Note 34.

Sensitivity analysis

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

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

	NTD to USD		RMB to USD		KRW to USD	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020	2021	2020
Profit or loss	\$ 22,699	\$ 11,004	\$ 3,618	\$ (5,147)	\$ (19,980)	\$ (49,686)

b) Interest rate risk

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Fair value interest rate risk		
Financial assets	<u>\$ 5,798,688</u>	<u>\$ 5,419,465</u>
Financial liabilities	<u>\$ 9,258,883</u>	<u>\$ 6,262,857</u>
Lease liabilities	<u>\$ 1,715,508</u>	<u>\$ 1,679,650</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 6,804,813</u>	<u>\$ 11,177,373</u>

Sensitivity analysis

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

If interest rates had been 50 basis points higher, the Group's pre-tax cash inflows for the years ended December 31, 2021 and 2020, would increase \$34,024 thousand and \$55,887 thousand, respectively, which was attributable to the Group's floating rate on its financial assets and if interest rates had been 50 basis points lower, there would be an equal and opposite impact on pre-tax cash flows.

c) Other price risk

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

Sensitivity analysis

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

If prices in mutual funds, debt investments and equity securities had been 5% higher/lower, the income before income tax for the years ended December 31, 2021 and 2020, would have increased/decreased by \$176,295 thousand and \$164,818 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income or loss before income tax for the years ended December 31, 2021 and 2020, would have increased/decreased by \$839,967 thousand and \$346,482 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

Changes in the Group's sensitivity to price risk are mainly resulting from the increased investment in equity securities and debt investments.

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group's unutilized bank borrowing facilities were \$11,220,428 thousand and \$13,052,337 thousand, respectively.

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

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 9,222	\$ 18,443	\$ 82,619	\$ 344,117	\$ 1,562,944
Fixed interest rate liabilities	<u>7,511,063</u>	<u>916,496</u>	<u>5,669</u>	<u>862,407</u>	<u>-</u>
	<u>\$ 7,520,285</u>	<u>\$ 934,939</u>	<u>\$ 88,288</u>	<u>\$ 1,206,524</u>	<u>\$ 1,562,944</u>

Additional information about the maturity analysis for lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 110,284</u>	<u>\$ 344,117</u>	<u>\$ 390,233</u>	<u>\$ 362,869</u>	<u>\$ 362,869</u>	<u>\$ 446,973</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 9,195	\$ 18,129	\$ 72,881	\$ 352,683	\$ 1,672,414
Fixed interest rate liabilities	<u>3,008,632</u>	<u>2,902,623</u>	<u>353</u>	<u>64,671</u>	<u>-</u>
	<u>\$ 3,017,827</u>	<u>\$ 2,920,752</u>	<u>\$ 73,234</u>	<u>\$ 417,354</u>	<u>\$ 1,672,414</u>

Additional information about the maturity analysis for lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 100,205</u>	<u>\$ 352,683</u>	<u>\$ 385,388</u>	<u>\$ 377,709</u>	<u>\$ 377,709</u>	<u>\$ 531,608</u>

30. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
NTX Electronics Yangzhou Co., Ltd.	Associate
Yuen Foong Yu Biotech Co., Ltd.	Associate
Nuclera Nucleics Ltd.	Associate
Nuclera Nucleics Corporation	Associate
Plastic Logic HK Limited	Associate
PL Germany GmbH	Associate
YFY Inc.	Investor with significant influence over the Group
YFY Japan Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Packaging Inc.	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Paper Enterprise (Nanjing) Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Corporate Advisory & Services Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
Chung Hwa Pulp Corporation	Subsidiary of investor with significant influence over the Group

(Continued)

Related Party Name	Related Party Category
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
Arizon RFID Technology Co., Ltd.	Subsidiary of investor with significant influence over the Group
Fidelis IT Solutions Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yuen Foong Shop Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Development Co., Ltd.	Subsidiary of investor with significant influence over the Group
Livebricks Inc.	Subsidiary of investor with significant influence over the Group
YFY Jupiter US, Inc.	Subsidiary of investor with significant influence over the Group
Jupiter Prestige Group North America Inc.	Subsidiary of investor with significant influence over the Group
Syntax Communication (H.K.) Limited	Subsidiary of investor with significant influence over the Group
Sustainable Carbohydrate Innovation Co., Ltd.	Subsidiary of investor with significant influence over the Group
Arizon FRID Technology (Hong Kong) Co., Ltd.	Subsidiary of investor with significant influence over the Group
Johnson Lee	Key management personnel
S.C. Ho	Key management personnel
Yuen Foong Paper Co., Ltd.	Substantive related party
Hsin Fan Precision Electronics (Yangzhou) Co., Ltd.	Substantive related party
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	Substantive related party
SinoPac Securities Corp.	Substantive related party
Hsin-Yi Enterprise Co., Ltd.	Substantive related party
TGKW Management Limited	Substantive related party
Shen's Art Printing Co., Ltd.	Substantive related party
Foongtone Technology Co., Ltd.	Substantive related party
YFY Green Food (Shanghai) Co., Ltd.	Substantive related party

(Concluded)

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Associate	<u>\$ 25,872</u>	<u>\$ 20,625</u>

The sales price and collection terms are based on the agreements with the related parties.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Associate	\$ 712,539	\$ 776,424
Investor and its subsidiaries with significant influence over the Group	16,176	10,279
Substantive related party	<u>349</u>	<u>17</u>
	<u>\$ 729,064</u>	<u>\$ 786,720</u>

The purchase price and payment terms are based on the agreements with the related parties.

d. Manufacturing costs

Related Party Category	For the Year Ended December 31	
	2021	2020
Substantive related party	\$ 62,253	\$ 46,898
Others	<u>191</u>	<u>156</u>
	<u>\$ 62,444</u>	<u>\$ 47,054</u>

e. Operating expenses

Related Party Category	For the Year Ended December 31	
	2021	2020
Substantive related party	\$ 34,990	\$ 23,059
Associate	29,930	23,438
Investor and its subsidiaries with significant influence over the Group	<u>4,787</u>	<u>5,572</u>
	<u>\$ 69,707</u>	<u>\$ 52,069</u>

f. Non-operating income - other income

Related Party Category	For the Year Ended December 31	
	2021	2020
Associate	\$ 6,713	\$ 5,875
Others	<u>167</u>	<u>877</u>
	<u>\$ 6,880</u>	<u>\$ 6,752</u>

g. Non-operating expense - other expenses

Related Party Category	For the Year Ended December 31	
	2021	2020
Key management personnel	<u>\$ -</u>	<u>\$ 4,771</u>

h. Receivable from related parties

Line Items	Related Party Category	December 31	
		2021	2020
Trade receivables	Associate	\$ 92,197	\$ 19,268
	Less: Loss allowance	<u>(17,177)</u>	<u>(17,673)</u>
		75,020	1,595
	Subsidiary of investor with significant influence over the Group	<u>6,809</u>	<u>7,454</u>
		<u>\$ 81,829</u>	<u>\$ 9,049</u>
Other receivables	Associate	\$ 9,688	\$ -
	Less: Loss allowance	<u>(9,769)</u>	<u>-</u>
	Effects of exchange rate changes	<u>81</u>	<u>-</u>
		<u>\$ -</u>	<u>\$ -</u>

The outstanding accounts receivable from related parties were unsecured.

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

Related Party Category	December 31	
	2021	2020
Associate	\$ 20,510	\$ 16,722
Substantive related party	10,079	7,734
Subsidiary of investor with significant influence over the Group	<u>8,726</u>	<u>10,891</u>
	<u>\$ 39,315</u>	<u>\$ 35,347</u>

The outstanding accounts payable to related parties were unsecured.

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

Related Party Category/Name	December 31	
	2021	2020
Associate	\$ 55,470	\$ -
Substantive related party		
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	48,973	49,235
Subsidiary of investor with significant influence over the Group	<u>1,136</u>	<u>-</u>
	<u>\$ 105,579</u>	<u>\$ 49,235</u>

k. Acquisition of property, plant and equipment

Related Party Category	Proceeds	
	For the Year Ended December 31	
	2021	2020
Associate	<u>\$ -</u>	<u>\$ 11,803</u>

l. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Associate	\$ 63	\$ 31	\$ 63	\$ 31

m. Lease arrangements

The Group leased offices from a subsidiary of investor with significant influence over the Group, with the original lease term for 4 years, and renewed the contract after the expiration in February 2021. The lease term is 2 years. The related amounts were as follows:

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Acquisition of right-of-use assets</u>		
Subsidiary of investor with significant influence over the Group	\$ 5,844	\$ -

Line Item	December 31	
	2021	2020
Lease liabilities		
Current (included in other current liabilities)	\$ 2,466	\$ 235
Non-current	454	-
	\$ 2,920	\$ 235

Line Item	For the Year Ended December 31	
	2021	2020
Interest expenses	\$ 24	\$ 26

The lease contract between the Group and the related party was determined by reference to the market conditions and payment terms that were similar to those with the third parties.

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

Related Party Category	December 31	
	2021	2020
Key management personnel	\$ 1,050	\$ 1,050
Others	3	66
	\$ 1,053	\$ 1,116

o. Acquisition of financial assets and equity

For the year ended December 31, 2020

Related Party Category	Line Item	Number of Shares in Thousand	Underlying Assets	Purchase Price	Remark
Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income	337	Shares	\$ 11,447	1)
Associate	Investments accounted for using the equity method	224	Equity	<u>6,597</u>	2)
				<u>\$ 18,044</u>	

1) In August 2020, the Group acquired 0.14% of the ownership of Yuen Foong Yu Consumer Products Co., Ltd. from YFY Inc. (included in financial assets at fair value through other comprehensive income).

2) In July 2020, the Group acquired Plastic Logic HK Limited and increased its ownership to 2.66% (included in investments accounted for using the equity method).

p. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2021	2020
Short-term employee benefits	\$ 140,947	\$ 128,052
Post-employment benefits	1,328	1,235
Share-based payments	<u>9,329</u>	<u>-</u>
	<u>\$ 151,604</u>	<u>\$ 129,287</u>

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

31. ASSETS PLEDGED AS COLLATERAL

The following demand deposits and time deposits included in financial asset at amortized cost were provided as collateral for short-term borrowings, line of credit for derivative instrument trading, tariff guarantee for imported inventories, lease deposits of plants and land, and deposits for provisional attachment:

	<u>December 31</u>	
	2021	2020
Current	\$ 1,930,980	\$ 1,913,300
Non-current	<u>132,580</u>	<u>148,928</u>
	<u>\$ 2,063,560</u>	<u>\$ 2,062,228</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unused letters of credit of the Group for purchase of machinery amounted to \$190,572 thousand and \$208,330 thousand as of December 31, 2021 and 2020, respectively.

Guaranteed notes issued for long-term and short-term borrowings and lines of credit for derivative instrument trading were \$11,670,000 thousand and \$9,040,000 thousand as of December 31, 2021 and 2020, respectively.

Guaranteed notes issued for syndicated loans were all \$6,800,000 thousand as of December 31, 2021 and 2020.

The board of directors of the subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., approved in March 2020 for an investment plan for the next three to five years. The content of the investment plan includes the construction of R&D buildings, capacity expansion and fundamental operating expenses, with expected investment amount from US\$50,000 thousand to US\$55,000 thousand. The source of funds is from the parent company's capital increase via cash and the subsidiary's proprietary funds.

To expand production capacity for operational needs, in May 2021, the board of directors of the Company resolved the project to construct new Hsinchu factory office building and multi-storey parking lot. The total amount of the construction is estimated at NT\$1.912 billion. The construction cost was NT\$23,138 thousand as of December 31, 2021.

In response to the business development plan of Yangzhou City, the board of directors of the subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., approved a high-end display service agreement with Yangzhou Economic-Technological Development Area Management Committee in June 2021. It planned to invest in the construction of factories on 420 acres of land in the area it owns to develop electronic paper-related businesses. It planned to increase capital in installments before June 2023, and the total amount will not exceed US\$61,000 thousand.

33. OTHER ITEMS

Due to the global impact of the COVID-19 pandemic, governments of various countries around the world have successively implemented various epidemic prevention measures. The pandemic also led to the gradual transformation of the global consumption type. The Group benefited from the stay-at-home economy; the increase in operating revenue and gross profit from January 2021 to December 2021 was higher than the year in 2020; however, parts of the operating activities are still affected. The Group will continuously assess the impact of the outbreak on the Group's operations.

Based on the information available as of the balance sheet date, the Group considered the economic implications of the epidemic when making its critical accounting estimates, refer to Note 5 for the details.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 393,369	27.68 (USD:NTD)	\$ 10,888,454
USD	258,447	6.3757 (USD:RMB)	7,153,813
USD	72,183	1,177.872 (USD:KRW)	1,998,025
USD	53,137	7.7994 (USD:HKD)	1,470,832
Non-monetary items			
FVTPL			
USD	88,045	1,177.872 (USD:KRW)	2,473,101
FVOCI			
EUR	65,173	31.32 (EUR:NTD)	2,041,227

Foreign currency liabilities

Monetary items			
USD	475,374	27.68 (USD:NTD)	13,158,352
USD	271,517	6.3757 (USD:RMB)	7,515,591
USD	54,403	7.7994 (USD:HKD)	1,505,875

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 217,744	28.48 (USD:NTD)	\$ 6,201,349
USD	195,030	6.525 (USD:RMB)	5,554,454
USD	174,461	1,077.156 (USD:KRW)	4,968,649
Non-monetary items			
Perpetual bonds			
USD	35,329	1,077.156 (USD:KRW)	1,006,183

Foreign currency liabilities

Monetary items			
USD	256,381	28.48 (USD:NTD)	7,301,731
USD	176,956	6.525 (USD:RMB)	5,039,707

The Group's net realized and unrealized gains (losses) on foreign currency exchange were \$298,144 thousand and \$(361,237) thousand for the years ended December 31, 2021 and 2020, respectively. It is impractical to disclose net gain or loss on foreign currency exchange by each significant foreign currency due to the variety of the foreign currency transactions and the functional currency of each entity in the Group.

35. SEPARATELY DISCLOSED ITEMS

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

- e) The highest balance, the end of year balance, the interest rate range and total current year interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the breakdown by region. The Group's reportable segments were classified into the ROC, Asia and America according to their geographic locations.

The profit or loss from the Group's operating segments is primarily measured by the segment profit or loss, which is used for the basis for assessment of performance. In addition, there are no significant differences between the accounting standards applied by the segments and the summary of significant accounting policies as disclosed in Note 4.

a. Segment revenue and results

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

	Segment Revenue		Segment Profit (Loss)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
ROC	\$ 22,305,848	\$ 17,117,539	\$ 2,593,888	\$ 2,243,270
Asia	13,884,981	9,496,029	488,005	118,194
America	6,292,399	3,927,016	362,660	(163,149)
Adjustment and eliminations	(22,832,664)	(15,177,729)	-	-
	<u>\$ 19,650,564</u>	<u>\$ 15,362,855</u>	3,444,553	2,198,315
Administration cost and remunerations to directors			(421,307)	(351,063)
Interest income			202,607	239,773
Net gain (loss) on fair value changes of financial assets and liabilities at FVTPL			(189,979)	98,169
Royalty income			1,748,077	1,891,237
Dividend income			503,514	283,972
Net gain on disposal of investment			654,252	877
Gain on disposal of non-current assets held for sale			-	367,945
Net gain (loss) on foreign currency exchange			298,144	(361,237)
Other non-operating income and expenses, net			309,050	(128,035)
Income before tax			<u>\$ 6,548,911</u>	<u>\$ 4,239,953</u>

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

b. Revenue from major products

Category by Product	For the Year Ended December 31	
	2021	2020
Consumer electronic	\$ 11,853,502	\$ 10,249,648
Internet of things applications	7,793,514	5,108,811
Others	<u>3,548</u>	<u>4,396</u>
	<u>\$ 19,650,564</u>	<u>\$ 15,362,855</u>

c. Geographical information

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

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

	December 31	
	2021	2020
ROC	\$ 4,536,755	\$ 3,326,249
Asia	1,282,582	1,280,207
America	<u>8,806,188</u>	<u>8,937,884</u>
	<u>\$ 14,625,525</u>	<u>\$ 13,544,340</u>

Non-current assets include property, plant and equipment, right-of-use assets, goodwill, other intangible assets and other non-current assets and exclude non-current assets classified as financial assets at FVTOCI, financial assets at FVTPL, financial assets at amortized cost, investments accounted for using the equity method and deferred tax assets.

d. Information about major customers

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

	For the Year Ended December 31	
	2021	2020
Customer A	\$ 3,992,846	\$ 3,272,851
Customer B	2,400,599	2,041,121
Customer C	<u>2,251,754</u>	<u>2,338,399</u>
	<u>\$ 8,645,199</u>	<u>\$ 7,652,371</u>

E INK HOLDINGS INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance (Note 1)	Ending Balance (Note 1)	Amount Actually Drawn (Note 1)	Interest Rate Intervals (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Aggregate Financing Limit (Note 2)
													Item	Value		
1	Hydis Technologies Co., Ltd.	YuanHan Materials Inc.	Other receivables	Yes	\$ 2,097,000 (US\$ 75,000 thousand)	\$ 1,384,000 (US\$ 50,000 thousand)	\$ 1,384,000 (US\$ 50,000 thousand)	1.23	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 3,980,018 (KRW 169,362,450 thousand)	\$ 3,980,018 (KRW 169,362,450 thousand)
2	YuanHan Materials Inc.	New Field e-Paper Co., Ltd.	Other receivables	Yes	484,950	483,760	483,760	1.20	Short-term financing	-	Working capital	-	-	-	866,200	3,464,798
3	PVI Global Limited	New Field e-Paper Co., Ltd.	Other receivables	Yes	503,280 (US\$ 18,000 thousand)	221,440 (US\$ 8,000 thousand)	221,440 (US\$ 8,000 thousand)	1.00	Short-term financing	-	Working capital	-	-	-	1,623,321 (US\$ 58,646 thousand)	6,493,229 (US\$ 234,582 thousand)
		YuanHan Materials Inc.	Other receivables	Yes	389,340 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	1.20	Short-term financing	-	Working capital	-	-	-	1,623,321 (US\$ 58,646 thousand)	6,493,229 (US\$ 234,582 thousand)
4	Tech Smart Logistics Ltd.	YuanHan Materials Inc.	Other receivables	Yes	389,340 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	1.20	Short-term financing	-	Working capital	-	-	-	411,961 (US\$ 14,883 thousand)	1,647,901 (US\$ 59,534 thousand)

Note 1: The amounts are translated at the exchange rate of US\$1=NT\$27.68, and KRW1=NT\$0.0235 on December 31, 2021, except the maximum balance that is translated at the highest exchange rate at the end of each month for the year.

Note 2: The aggregate and individual financing limits of Hydis Technologies Co., Ltd. shall not exceed 40% of the financing company's net equity per its latest financial statements. The aggregate and individual financing limits of YuanHan Materials Inc., PVI Global Limited and Tech Smart Logistics Ltd. shall not exceed 40% and 10%, respectively, of the financing company's net equity per its latest financial statements.

Note 3: The above intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsed/Guaranteed Party		Limit on Endorsement/ Guarantee Amount Provided to Each Endorsed/ Guaranteed Party (Note 1)	Maximum Balance for the Year (Note 2)	Ending Balance (Note 2)	Amount Actually Drawn (Note 2)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by Subsidiary	Endorsement/ Guarantee to Subsidiary in Mainland China
		Name	Relationship										
0	E Ink Holdings Inc.	E Ink Corporation	Subsidiary	\$ 8,791,791	\$ 1,198,470 (US\$ 42,000 thousand)	\$ 1,162,560 (US\$ 42,000 thousand)	\$ -	\$ -	3.31	\$ 35,167,166	Yes	No	No
		YuanHan Materials Inc.	Subsidiary	8,791,791	2,350,000	2,350,000	525,000	-	6.68	35,167,166	Yes	No	No
		Linfiny Corporation	Subsidiary	8,791,791	350,000	350,000	145,000	-	1.00	35,167,166	Yes	No	No
		New Field e-Paper Co., Ltd.	Subsidiary	8,791,791	200,000	200,000	-	-	0.57	35,167,166	Yes	No	No
1	Hydis Technologies Co., Ltd.	E Ink Holdings Inc.	Parent company	2,487,511 (KRW 105,851,531 thousand)	428,025 (US\$ 15,000 thousand)	968,800 (US\$ 35,000 thousand)	370,000	-	9.74	9,950,044 (KRW 423,406,126 thousand)	No	Yes	No

Note 1: The amount shall not exceed 25% of the net equity of the Company and the subsidiary, Hydis Technologies Co., Ltd.

Note 2: The amounts are translated at the exchange rate of US\$1=NT\$27.68, and KRW1=NT\$0.0235 on December 31, 2021, except the maximum balance is translated at the highest exchange rate of the end of each month for the year.

Note 3: The amount shall not exceed the net equity of the Company and the subsidiary, Hydis Technologies Co., Ltd.

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
E Ink Holdings Inc.	<u>Ordinary shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	119,522,461	\$ 1,930,288	1.06	\$ 1,930,288	
	YFY Inc.	Investor with significant influence over the Company	Financial assets at FVTOCI	7,814,000	277,788	0.47	277,788	
	Ultra Chip, Inc.	-	Financial assets at FVTOCI	2,603,676	663,937	3.50	663,937	
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Company	Financial assets at FVTOCI	336,002	16,867	0.13	16,867	
	Mega Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	8,190,000	291,155	0.06	291,155	
	Yuanta Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	12,175,000	308,027	0.10	308,027	
	Wistron Corporation	-	Financial assets at FVTOCI	9,296,000	270,978	0.32	270,978	
	Getac Technology Corporation	-	Financial assets at FVTOCI	2,674,000	148,942	2.17	148,942	
	Taiwan Cement Corporation	-	Financial assets at FVTOCI	5,768,000	276,864	0.09	276,864	
	Asia Electronic Material Co., Ltd.	-	Financial assets at FVTOCI	351,000	8,161	0.36	8,161	
	Taiflex Scientific Co., Ltd.	-	Financial assets at FVTOCI	241,000	11,447	0.12	11,447	
	IGNIS INNOVATION INC.	-	Financial assets at FVTPL - non-current	387,597	-	0.18	-	
	<u>Preferred shares</u>							
	Fubon Financial Holding Co., Ltd. (A)	-	Financial assets at FVTOCI	4,675,000	295,460	0.04	295,460	
	Cathay Financial Holding Co., Ltd. (A)	-	Financial assets at FVTOCI	2,354,000	148,067	0.02	148,067	
Taishin Financial Holding Co., Ltd. (E)	-	Financial assets at FVTOCI	2,293,000	121,758	0.02	121,758		
<u>Convertible preferred shares</u>								
MICAREO INC.	-	Financial assets at FVTPL - non-current	6,000,000	-	14.69	-		
New Field e-Paper Co., Ltd.	<u>Ordinary shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	22,028,000	355,752	0.20	355,752	
	Jetbest Corporation	-	Financial assets at FVTOCI	278,000	7,395	0.85	7,395	
	Ventec International Group Co., Ltd.	-	Financial assets at FVTOCI	475,000	63,413	0.66	63,413	
	Wistron Corporation	-	Financial assets at FVTOCI	8,307,000	242,149	0.29	242,149	
Taiwan Cement Corporation	-	Financial assets at FVTOCI	1,650,000	79,200	0.03	79,200		

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YuanHan Materials Inc.	<u>Ordinary shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	214,864,329	\$ 3,470,059	1.90	\$ 3,470,059	
	YFY Inc.	Investor with significant influence over the parent company	Financial assets at FVTOCI	16,000	569	0.00	569	
	Netronix Inc.	-	Financial assets at FVTOCI	5,309,198	302,093	6.40	302,093	
	Fitipower Integrated Technology Inc.	-	Financial assets at FVTOCI	2,587,626	729,711	1.39	729,711	
	SES-imagotag	-	Financial assets at FVTOCI	866,666	2,041,227	5.50	2,041,227	
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the parent company	Financial assets at FVTOCI	688	35	0.00	35	
	Mega Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	4,650,000	165,307	0.03	165,307	
	Yuanta Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	8,893,000	224,993	0.07	224,993	
	Wistron Corporation	-	Financial assets at FVTOCI	9,270,000	270,220	0.32	270,220	
	Daxin Materials Corp.	-	Financial assets at FVTOCI	869,000	133,826	0.85	133,826	
	Getac Technology Corporation	-	Financial assets at FVTOCI	4,453,000	248,032	3.61	248,032	
	Zenitron Corporation	-	Financial assets at FVTOCI	4,249,000	147,865	1.99	147,865	
	Taiwan Cement Corporation	-	Financial assets at FVTOCI	3,137,000	150,576	0.05	150,576	
	Ushine Photonics Corporation	-	Financial assets at FVTOCI	3,297,179	69,735	14.09	69,735	
	Formolight Technologies, Inc.	-	Financial assets at FVTOCI	2,227,500	16,578	10.93	16,578	
	Echem Solutions Corp.	-	Financial assets at FVTOCI	742,820	17,725	0.93	17,725	
	eCrowd Media Inc.	-	Financial assets at FVTOCI	1,309,701	9,010	6.46	9,010	
	<u>Preferred shares</u>							
	Fubon Financial Holding Co., Ltd. (A)	-	Financial assets at FVTOCI	4,684,000	296,029	0.03	296,029	
	<u>Convertible preferred shares</u>							
	SigmaSense, LLC	-	Financial assets at FVTPL - non-current	72,916	121,099	2.05	121,099	
	<u>Convertible bonds</u>							
	Nuclera Nucleics Ltd.	-	Financial assets at FVTPL - non-current	-	258,153	-	258,153	
	<u>Straight corporate bonds</u>							
	FS KKR CAPITAL CORP	-	Financial assets at FVTOCI	2,000,000	58,765	-	58,765	
	NOMURA HOLDINGS INC.	-	Financial assets at FVTOCI	1,950,000	55,872	-	55,872	
<u>Mutual funds</u>								
BLACKSTONE REITS	-	Financial assets at FVTPL - non-current	8,449	299,297	-	299,297		
Millennium	-	Financial assets at FVTPL - non-current	1,011,939	27,837	-	27,837		

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Transcend Optronics (Yangzhou) Co., Ltd.	<u>Ordinary shares</u> Dalian DKE LCD Co., Ltd.	-	Financial assets at FVTOCI	837,000	RMB 14,377 thousand	2.73	RMB 14,377 thousand	
	Hanshow Technology Corporation	-	Financial assets at FVTOCI	2,880,000	RMB 40,174 thousand	0.76	RMB 40,174 thousand	
Rich Optronics (Yangzhou) Co., Ltd.	<u>Structured deposits</u> Bank of Industrial and Commercial - link structured deposits	-	Financial assets at FVTPL - current	-	RMB 22,182 thousand	-	RMB 22,182 thousand	
Hydis Technologies Co., Ltd.	<u>Ordinary shares</u> Hana Financial Group Inc.	-	Financial assets at FVTOCI	455,121	KRW 19,137,838 thousand	0.16	KRW 19,137,838 thousand	
	Solum Co., Ltd.	-	Financial assets at FVTOCI	840,990	KRW 18,880,226 thousand	1.68	KRW 18,880,226 thousand	
	KT&G Corporation	-	Financial assets at FVTOCI	290,618	KRW 22,958,822 thousand	0.23	KRW 22,958,822 thousand	
	LG Uplus Corp	-	Financial assets at FVTOCI	664,380	KRW 9,035,568 thousand	0.15	KRW 9,035,568 thousand	
	Samsung Card Co., Ltd.	-	Financial assets at FVTOCI	275,805	KRW 8,687,857 thousand	0.26	KRW 8,687,857 thousand	
	<u>Mutual funds</u> Term Liquidity Fund	-	Financial assets at FVTPL - non-current	95,558	KRW 12,159,926 thousand	-	KRW 12,159,926 thousand	
	<u>Perpetual bonds</u> JP Morgan Chase & Co.	-	Financial assets at FVTPL - non-current	48,500,000	KRW 57,996,592 thousand	-	KRW 57,996,592 thousand	
	Bank of America Corporation	-	Financial assets at FVTPL - non-current	37,900,000	KRW 45,586,435 thousand	-	KRW 45,586,435 thousand	
	<u>Straight corporate bonds</u> NOMURA HOLDINGS, INC.	-	Financial assets at FVTOCI	9,100,000	KRW 11,132,189 thousand	-	KRW 11,132,189 thousand	
	Standard Chartered PLC	-	Financial assets at FVTOCI	8,800,000	KRW 11,160,692 thousand	-	KRW 11,160,692 thousand	
BARCLAYS	-	Financial assets at FVTOCI	8,490,000	KRW 11,070,599 thousand	-	KRW 11,070,599 thousand		
Fubon Hyundai Life	-	Financial assets at amortized cost	2,200,000	KRW 22,008,211 thousand	-	KRW 22,008,211 thousand		

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

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments	Ending Balance	
					Units (In Thousands)	Amount	Units (In Thousands)	Amount	Units (In Thousands)	Prices	Carrying Amount	Gain on Disposal (Note 1)		Units (In Thousands)	Amount
Hydis Technologies Co., Ltd.	Perpetual bonds Bank of America Corporation	Financial assets at FVTPL - non-current	-	-	5,000,000	KRW 5,572,736 thousand	32,900,000	KRW 39,156,462 thousand	-	\$ -	\$ -	\$ -	KRW 857,237 Thousand (Note 1)	37,900,000	KRW 45,586,435 thousand
	J.P. Morgan Chase & Co.	Financial assets at FVTPL - non-current	-	-	29,800,000	KRW 32,415,916 thousand	18,700,000	KRW 21,893,025 thousand	-	-	-	-	3,687,6517 Thousand (Note 1)	48,500,000	KRW 57,996,592 thousand
	Straight corporate bonds Fubon Hyundai Life	Financial assets at amortized cost - non-current	-	-	700,000	KRW 7,010,196 thousand	1,500,000	KRW 15,000,000 thousand	-	-	-	-	KRW (1,985 thousand (Note 1))	2,200,000	KRW 22,008,211 thousand
	Ordinary shares Hana Financial Group	FVTOCI - non-current	-	-	-	-	455,121	KRW 19,981,952 thousand	-	-	-	-	KRW (844,114 thousand (Note 1))	455,121	KRW 19,137,838 thousand
	SOLUM CO., LTD.	FVTOCI - non-current	-	-	-	-	840,990	KRW 20,001,494 thousand	-	-	-	-	KRW (1,121,268 thousand (Note 1))	840,990	KRW 18,880,226 thousand
	KT&G Corporation	FVTOCI - non-current	-	-	-	-	290,618	KRW 24,974,146 thousand	-	-	-	-	KRW (2,015,324 thousand (Note 1))	290,618	KRW 22,958,822 thousand
Transcend Optronics (Yangzhou) Co., Ltd.	Principal guaranteed wealth investment products	Financial assets at amortized cost - current	Bank of Nanjing	-	-	RMB 90,000 thousand	-	-	RMB 91,387 thousand	RMB 90,000 thousand	RMB 1,387 thousand	-	-	-	-
	Principal guaranteed with floating profit structured deposits	Financial assets at FVTPL - current	Bank of Nanjing	-	-	RMB 241,658 thousand	-	RMB 170,000 thousand	RMB 414,050 thousand	RMB 410,000 thousand	RMB 4,050 thousand	-	-	-	-
	Principal guaranteed with floating profit structured deposits	Financial assets at FVTPL - current	Bank of Jiansu	-	-	-	-	RMB 160,000 thousand	RMB 160,928 thousand	RMB 160,000 thousand	RMB 928 thousand	-	-	-	-
E Ink Corporation	Ordinary shares Nuclera Nucleics Ltd. (Note 2)	Investment accounted for using the equity method	Nuclera Nucleics Ltd.	-	-	-	1,107,094	US\$ 25,691 thousand (Note 3)	-	-	-	-	US\$ (3,641 thousand (Note 1))	1,107,094	US\$ 22,050 thousand

Note 1: Included in interest income, net gain (loss) on financial assets and liabilities at FVTPL and loss from investments in associates accounted for using the equity method.

Note 2: Refer to Note 14 for the subsidiary E Ink Corporation's use of its microfluidic technology (including related equipment and inventory, etc. in the amount of approximately US\$1,909 thousand) to exchange for Nuclera Nucleics Ltd.'s 26.5% equity share.

Note 3: Included related acquisition cost.

E INK HOLDINGS INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Sale	\$ (3,992,846)	22	By agreements	\$ -	-	\$ 1,495,949	25	
	E Ink Corporation	Subsidiary	Purchase	5,727,661	40	By agreements	-	-	(1,626,053)	(24)	
	YuanHan Materials Inc.	Subsidiary	Sale	(1,944,678)	11	By agreements	-	-	282,228	5	
	YuanHan Materials Inc.	Subsidiary	Purchase	572,211	4	By agreements	-	-	(49,064)	(1)	
	Linfiny Corporation	Subsidiary	Purchase	148,818	1	By agreements	-	-	(18,216)	-	
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Purchase	1,533,252	11	By agreements	-	-	(5,003,624)	(74)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	699,539	5	By agreements	-	-	-	-	
YuanHan Materials Inc.	E Ink Holdings Inc.	Parent company	Sale	(572,211)	(14)	By agreements	-	-	49,064	94	
	E Ink Holdings Inc.	Parent company	Purchase	1,944,678	76	By agreements	-	-	(282,228)	(100)	
Linfiny Corporation	E Ink Holdings Inc.	Parent company	Sale	(148,818)	(98)	By agreements	-	-	18,216	92	
Prime View Communications Ltd.	E Ink Holdings Inc.	Parent company	Purchase	3,992,846	100	By agreements	-	-	(1,495,949)	(100)	
E Ink Corporation	E Ink Holdings Inc.	Parent company	Sale	(5,727,661)	(100)	By agreements	-	-	1,626,053	98	
	E Ink California, LLC	Subsidiary	Purchase	553,979	15	By agreements	-	-	(307,992)	(56)	
E Ink California, LLC	E Ink Corporation	Parent company	Sale	(553,979)	(100)	By agreements	-	-	307,992	100	
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	Sale	(1,533,252)	(100)	By agreements	-	-	5,003,624	100	

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

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

E INK HOLDINGS INC. AND SUBSIDIARIES

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

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amount Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	\$ 1,495,949	3.38	\$ -	-	\$ 287,740	\$ -
	YuanHan Materials Inc.	Subsidiary	282,228	10.50	-	-	94,370	-
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	3,848,410	(Note 1)	82,244	Collected	1,521,925	-
	E Ink Corporation	Subsidiary	243,728	0.20	11,857	In the process of collection	2,596	-
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	5,003,624	(Note 1)	835,145	Collected	2,108,284	-
E Ink Corporation	E Ink Holdings Inc.	Parent company	1,626,053	4.93	1,162,686	In the process of collection	593,406	-
E Ink California, LLC	E Ink Corporation	Parent company	307,992	1.46	131,626	In the process of collection	43,858	-

Note 1: Other receivables from materials delivered to subcontractors.

Note 2: The above intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of Investee	Share of Profit (Loss) of Investee	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
E Ink Holdings Inc.	PVI Global Limited	British Virgin Islands	Investment	\$ 3,360,434	\$ 3,360,434	108,413,176	100.00	\$ 16,233,100	\$ 2,078,769	\$ 2,078,769	(Note)
	New Field e-Paper Co., Ltd.	Taoyuan, Taiwan	Wholesale and sale of electronics parts	6,394,455	6,394,455	671,032,318	100.00	5,497,393	297,957	297,957	(Note)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	4,911,303	4,911,303	1,034	45.31	4,239,021	1,454,012	213,332	(Note)
	YuanHan Materials Inc.	Taipei, Taiwan	Research, development and sale of electronic parts and electronic ink	6,420,230	6,420,230	183,819,268	100.00	8,642,719	1,627,642	1,627,884	(Note)
	Dream Universe Ltd.	Mauritius	Trading	128,710	128,710	4,050,000	100.00	349,001	(79)	(79)	(Note)
	Prime View Communications Ltd.	Hong Kong	Trading	18,988	18,988	3,570,000	100.00	(33,896)	(30,628)	(30,628)	(Note)
	Enttek Co., Ltd.	Taichung, Taiwan	Manufacture and sale of consumer audio-visual systems	34,547	34,547	2,203,161	47.07	-	-	-	Under liquidation
	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	49,267	49,267	1,550,000	0.09	3,708	207,461	187	(Note)
	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	16,800	16,800	1,680,000	4.00	1,206	9,844	394	(Note)
	Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	6,597	6,597	223,655	2.40	1,093	(78,096)	(1,013)	
	E Ink Japan Inc.	Tokyo, Japan	Development of electronic ink products	15,065	15,065	200	100.00	16,492	3,830	3,830	(Note)
New Field e-Paper Co., Ltd.	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	4,865,850	4,865,850	1,748,251,748	99.91	4,116,045	207,461	207,275	(Note)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	1,618,500	1,618,500	294	12.88	1,205,001	1,454,012	60,643	(Note)
YuanHan Materials Inc.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	323,400	323,400	32,340,000	77.00	23,213	9,844	7,580	(Note)
	Yuen Foong Yu Biotech Co., Ltd.	Taipei, Taiwan	Cultivation, processing and sale of agriculture and restaurant management	36,000	36,000	3,600,000	36.00	9,448	31,416	8,446	
	Kyoritsu Optronics Co., Ltd.,	Taipei, Taiwan	Technology development, transfer and licensing of flat panels	18,860	18,860	1,050,000	25.65	-	-	-	
Linfiny Corporation	Linfiny Japan Inc.	Tokyo, Japan	Research and development of electronic ink	11,088	11,088	4,000	100.00	23,047	1,204	1,204	(Note)
E Ink Corporation	E Ink California, LLC	California, USA	Research, development and sale of electronic ink	US\$ 29,100 thousand	US\$ 29,100 thousand	27,400,000	100.00	US\$ 33,431 thousand	US\$ 3,697 thousand	US\$ 1,651 thousand	(Note)
	Nuclera Nucleics Ltd.	Cambridge, UK	Protein, gene synthesis and digital microfluidics	US\$ 25,691 thousand	-	1,107,094	26.50	US\$ 22,050 thousand	US\$ (12,540) thousand	US\$ (3,323) thousand	
Tech Smart Logistics Ltd.	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	US\$ 152,875 thousand	US\$ 152,875 thousand	954	41.81	US\$ 133,017 thousand	US\$ 52,038 thousand	US\$ 7,391 thousand	(Note)
PVI Global Limited	PVI International Corp.	British Virgin Islands	Trading	US\$ 169,300 thousand	US\$ 160,300 thousand	169,300,000	100.00	US\$ 182,823 thousand	US\$ 32,001 thousand	US\$ 32,001 thousand	(Note)
	Dream Pacific International Limited	British Virgin Islands	Investment	US\$ 1,000 thousand	US\$ 1,000 thousand	26,000,000	100.00	US\$ 334,291 thousand	US\$ 42,202 thousand	US\$ 42,202 thousand	(Note)
	Ruby Lustre Ltd.	British Virgin Islands	Investment	US\$ 30,000 thousand	US\$ 30,000 thousand	30,000,000	100.00	US\$ 28,515 thousand	US\$ 308 thousand	US\$ 308 thousand	(Note)
	North Diamond International Co., Ltd.	British Virgin Islands	Investment	US\$ 1,750 thousand	US\$ 1,750 thousand	1,750,000	35.00	-	-	-	
	Rock Pearl International Corp.	British Virgin Islands	Investment	US\$ 1,540 thousand	US\$ 1,540 thousand	1,540,000	35.00	-	US\$ 8 thousand	US\$ 3 thousand	
Dream Pacific International Limited	Hydis Technologies Co., Ltd.	South Korea	Research, development and licensing of monitors	US\$ 27,612 thousand	US\$ 27,612 thousand	3,783,265	94.73	US\$ 339,810 thousand	US\$ 40,655 thousand	US\$ 39,631 thousand	(Note)
Hydis Technologies Co., Ltd.	Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	KRW 2,942,500 thousand	KRW 2,942,500 thousand	2,500,000	26.79	484,213 thousand	KRW(3,107,540) thousand	KRW (832,417) thousand	

Note: All intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Product	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 1)	Net Income (Loss) of Investee (Note 2)	Direct or Indirect Percentage of Ownership (%)	Share of Profit (Loss) of Investee (Notes 2 and 3)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Transcend Optonics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	\$ 4,686,224 (US\$ 169,300 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	\$ 3,261,950 (US\$ 117,845 thousand)	\$ -	\$ -	\$ 3,261,950 (US\$ 117,845 thousand)	\$ 913,822 (US\$ 32,626 thousand)	100.00	\$ 896,428 (US\$ 32,005 thousand)	\$ 5,054,423 (US\$ 182,602 thousand)	\$ -
Rich Optonics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	830,400 (US\$ 30,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	830,400 (US\$ 30,000 thousand)	-	-	830,400 (US\$ 30,000 thousand)	8,627 (US\$ 308 thousand)	100.00	8,627 (US\$ 308 thousand)	789,295 (US\$ 28,515 thousand)	-
Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	1,022,250 (US\$ 36,931 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	(13,108) (US\$ (468) thousand)	100.00	(13,108) (US\$ (468) thousand)	810,775 (US\$ 29,291 thousand)	-
Yangzhou Huaxia Integrated O/E System Co., Ltd. (liquidated)	Manufacture and sale of LED products	-	The Company indirectly owns the investee through an investment company registered in a third region	38,475 (US\$ 1,390 thousand)	-	-	38,475 (US\$ 1,390 thousand)	980 (US\$ 35 thousand)	100.00	980 (US\$ 35 thousand)	-	-
Dihao Electronics (Yangzhou) Co., Ltd. (Under liquidation)	Assembly of LCD backlight board display modules	138,400 (US\$ 5,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	48,440 (US\$ 1,750 thousand)	-	-	48,440 (US\$ 1,750 thousand)	-	35.00	-	-	-
NTX Electronics Yangzhou Co., Ltd.	Manufacture and sale of flat panels	173,659 (RMB 40,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	9,065 (RMB 2,088 thousand)	49.00	4,399 (RMB 1,023 thousand)	101,753 (RMB 23,437 thousand)	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,179,265 (US\$ 150,985 thousand)	\$ 8,141,657 (US\$ 294,135 thousand)	\$ 26,297,496

Note 1: The amounts are translated at the exchange rate of US\$1=NT\$27.68 and RMB1=NT\$4.34148 on December 31, 2021.

Note 2: The amounts are translated at the average exchange rate of US\$1=NT\$28.009 and RMB1=NT\$4.34167 for the year ended December 31, 2021.

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

Note 4: Refer to Tables 5, 6 and 9, for information on the prices, payment terms and unrealized profit or loss of significant transactions with investee companies in mainland China.

Note 5: The above intercompany transactions have been eliminated upon consolidation, except transactions with NTX Electronics Yangzhou Co., Ltd. and Dihao Electronics (Yangzhou) Co., Ltd.

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No	Company Name	Related Party	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Accounts receivable from related parties	\$ 1,495,949	By agreements	2.6
		Prime View Communications Ltd.	Subsidiary	Sales	3,992,846	By agreements	20.3
		E Ink Corporation	Subsidiary	Accounts payable to related parties	1,626,053	By agreements	2.9
		E Ink Corporation	Subsidiary	Cost of goods sold	5,727,661	By agreements	29.1
		YuanHan Materials Inc.	Subsidiary	Sales	1,944,678	By agreements	9.9
		YuanHan Materials Inc.	Subsidiary	Cost of goods sold	572,211		2.9
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Accounts receivable from related parties	3,848,410	By agreements	6.8
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Accounts payable to related parties	5,003,624	By agreements	8.8
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Cost of goods sold	1,533,252	By agreements	7.8
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Manufacturing expenses	657,871	By agreements	3.3
1	Hydis Technologies Co., Ltd.	YuanHan Materials Inc.	Same ultimate parent company	Other receivables from related parties	1,389,728	By agreements	2.4
2	E Ink California, LLC	E Ink Corporation	Parent Company	Sales	553,979	By agreements	2.8

Note 1: The above intercompany transactions have been eliminated upon consolidation.

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

E INK HOLDINGS INC.**INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
YFY Inc.	133,472,904	11.70
S.C. Ho	80,434,300	7.05

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

B. Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

E Ink Holdings Inc.

**Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
E Ink Holdings Inc.

Opinion

We have audited the accompanying financial statements of E Ink Holdings Inc. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The key audit matter for the Company's financial statements for the year ended December 31, 2021 is stated as follows:

Sales Revenue - Recognition of Sales Revenue from Internet of Things Applications Products

The Company mainly sells products, such as consumer electronics and Internet of Things applications, which were affected by change in end-market demand due to the COVID-19 pandemic. The Company adjusted its product structure to respond to such changes. Among them, the proportion of sales revenue from Internet of Things applications products has increased, which consequently increased the risk associated with the occurrence of sales revenue transactions from Internet of Things applications products. Therefore, the recognition of sales revenue from Internet of Things applications products was identified as a key audit matter.

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

1. We understood and tested the design and operating effectiveness of relevant internal controls over the occurrence of sales revenue from Internet of Things applications products.
2. We sampled the sales details of Internet of Things applications products, inspected receipts signed by the customers or export declaration of overseas sales, and confirmed the receipt of payments.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine a matter that was of most significance in the audit of the financial statements for the year ended December 31, 2021, and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Hui-Min Huang and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2022

Notice to Readers

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

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

E INK HOLDINGS INC.

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash (Note 6)	\$ 2,420,512	4	\$ 764,953	2
Accounts receivable (Notes 9 and 17)	1,799,879	3	652,362	2
Accounts receivable from related parties (Notes 9 and 25)	5,940,295	11	3,641,276	9
Inventories (Note 10)	3,331,601	6	1,687,744	4
Prepayments	90,574	-	76,991	-
Other current assets (Notes 7, 25 and 26)	55,618	-	69,043	-
Total current assets	<u>13,638,479</u>	<u>24</u>	<u>6,892,369</u>	<u>17</u>
NON-CURRENT ASSETS (Note 4)				
Financial assets at fair value through other comprehensive income (Notes 8 and 25)	4,769,739	8	1,648,432	4
Investments accounted for using the equity method (Notes 11 and 25)	34,983,733	61	30,362,978	73
Property, plant and equipment (Notes 12, 18, 22 and 25)	2,235,982	4	1,314,914	3
Right-of-use assets (Notes 13 and 18)	797,765	2	815,267	2
Other intangible assets (Note 18)	206,420	-	236,373	-
Deferred tax assets (Note 19)	396,160	1	353,785	1
Other non-current assets	6,584	-	53,032	-
Total non-current assets	<u>43,396,383</u>	<u>76</u>	<u>34,784,781</u>	<u>83</u>
TOTAL	<u>\$ 57,034,862</u>	<u>100</u>	<u>\$ 41,677,150</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Short-term borrowings (Note 14)	\$ 2,210,200	4	\$ 3,849,400	9
Short-term bills payable (Note 14)	4,299,598	7	699,656	2
Contract liabilities (Note 17)	2,620,296	5	309,018	1
Notes and accounts payable	2,512,656	4	1,276,194	3
Accounts payable to related parties (Note 25)	6,790,439	12	2,766,901	7
Other payables (Notes 22 and 25)	942,540	2	680,615	2
Current tax liabilities (Note 19)	243,657	-	286,455	1
Receipts in advance (Note 25)	387,339	1	198,262	-
Other current liabilities (Note 13)	92,041	-	108,530	-
Total current liabilities	<u>20,098,766</u>	<u>35</u>	<u>10,175,031</u>	<u>25</u>
NON-CURRENT LIABILITIES (Note 4)				
Long-term borrowings (Note 14)	847,340	2	63,000	-
Contract liabilities (Note 17)	-	-	30,600	-
Lease liabilities (Note 13)	787,622	1	805,440	2
Net defined benefit liabilities (Note 15)	90,036	-	85,314	-
Other non-current liabilities (Notes 11, 19 and 25)	43,932	-	9,155	-
Total non-current liabilities	<u>1,768,930</u>	<u>3</u>	<u>993,509</u>	<u>2</u>
Total liabilities	<u>21,867,696</u>	<u>38</u>	<u>11,168,540</u>	<u>27</u>
EQUITY (Notes 16 and 21)				
Share capital	11,404,047	20	11,404,677	27
Capital surplus	10,407,670	18	10,310,536	25
Retained earnings	11,000,202	20	8,760,870	21
Other equity	2,355,247	4	142,559	-
Treasury shares	-	-	(110,032)	-
Total equity	<u>35,167,166</u>	<u>62</u>	<u>30,508,610</u>	<u>73</u>
TOTAL	<u>\$ 57,034,862</u>	<u>100</u>	<u>\$ 41,677,150</u>	<u>100</u>

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

E INK HOLDINGS INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 25)	\$ 18,068,580	100	\$ 14,365,868	100
OPERATING COSTS (Notes 10, 18 and 25)	<u>15,133,500</u>	<u>84</u>	<u>11,334,861</u>	<u>79</u>
GROSS PROFIT	<u>2,935,080</u>	<u>16</u>	<u>3,031,007</u>	<u>21</u>
OPERATING EXPENSES (Notes 18 and 25)				
Selling and marketing expenses	355,839	2	331,838	2
General and administrative expenses	756,032	4	644,057	5
Research and development expenses	<u>1,095,144</u>	<u>6</u>	<u>1,092,299</u>	<u>8</u>
Total operating expenses	<u>2,207,015</u>	<u>12</u>	<u>2,068,194</u>	<u>15</u>
INCOME FROM OPERATIONS	<u>728,065</u>	<u>4</u>	<u>962,813</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 18)	1,303	-	7,015	-
Royalty income (Notes 4 and 17)	239,356	2	248,072	2
Dividend income	193,790	1	85,417	-
Other income (Note 25)	50,320	-	40,330	-
Net gain (loss) on disposal of property, plant and equipment	3,081	-	(80,477)	(1)
Net loss on foreign currency exchange (Note 29)	(35,416)	-	(167,533)	(1)
Share of profit of subsidiaries and associates accounted for using the equity method	4,190,633	23	2,823,170	20
Interest expenses (Note 12)	(61,290)	-	(53,297)	-
Other expenses (Note 25)	(9,786)	-	(7,628)	-
Net loss on fair value change of financial assets and liabilities at fair value through profit or loss	(1,068)	-	(53,381)	-
Total non-operating income and expenses	<u>4,570,923</u>	<u>26</u>	<u>2,841,688</u>	<u>20</u>
INCOME BEFORE INCOME TAX	5,298,988	30	3,804,501	26
INCOME TAX EXPENSE (Notes 4 and 19)	<u>(148,943)</u>	<u>(1)</u>	<u>(201,912)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>5,150,045</u>	<u>29</u>	<u>3,602,589</u>	<u>25</u>

(Continued)

E INK HOLDINGS INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	\$ (9,878)	-	\$ (10,494)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,257,409	7	(12,534)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	2,658,550	14	288,241	2
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>(202,085)</u>	<u>(1)</u>	<u>(8,923)</u>	<u>-</u>
	<u>3,703,996</u>	<u>20</u>	<u>256,290</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>(1,337,425)</u>	<u>(7)</u>	<u>(86,656)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>2,366,571</u>	<u>13</u>	<u>169,634</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,516,616</u>	<u>42</u>	<u>\$ 3,772,223</u>	<u>26</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 4.53</u>		<u>\$ 3.18</u>	
Diluted	<u>\$ 4.52</u>		<u>\$ 3.17</u>	

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

(Concluded)

E INK HOLDINGS INC.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings				Other Equity			
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Treasury Shares	Total
BALANCE AT JANUARY 1, 2020	1,140,468	\$ 11,404,677	\$ 10,306,993	\$ 1,773,654	\$ 255,475	\$ 5,399,253	\$ 7,428,382	\$ (937,787)	\$ 907,906	\$ (110,032)	\$ 29,000,139
Appropriation of 2019 earnings											
Legal reserve	-	-	-	308,077	-	(308,077)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(154,916)	154,916	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,268,726)	(2,268,726)	-	-	-	(2,268,726)
Changes in equity of associates accounted for using the equity method	-	-	4,090	-	-	-	-	-	-	-	4,090
Net income for the year ended December 31, 2020	-	-	-	-	-	3,602,589	3,602,589	-	-	-	3,602,589
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(9,129)	(9,129)	(86,656)	265,419	-	169,634
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	3,593,460	3,593,460	(86,656)	265,419	-	3,772,223
Share-based payments	-	-	(547)	-	-	-	-	-	-	-	(547)
Difference between consideration and carrying amount resulting from disposal of subsidiaries	-	-	-	-	-	(110)	(110)	1,541	-	-	1,431
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	7,864	7,864	-	(7,864)	-	-
BALANCE AT DECEMBER 31, 2020	1,140,468	11,404,677	10,310,536	2,081,731	100,559	6,578,580	8,760,870	(1,022,902)	1,165,461	(110,032)	30,508,610
Appropriation of 2020 earnings											
Legal reserve	-	-	-	360,122	-	(360,122)	-	-	-	-	-
Special reserve	-	-	-	-	(29,881)	29,881	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,062,779)	(3,062,779)	-	-	-	(3,062,779)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	4,750	-	-	(1,817)	(1,817)	-	-	-	2,933
Other changes in capital surplus	-	-	34	-	-	-	-	-	-	-	34
Net income for the year ended December 31, 2021	-	-	-	-	-	5,150,045	5,150,045	-	-	-	5,150,045
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(5,980)	(5,980)	(1,337,425)	3,709,976	-	2,366,571
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	5,144,065	5,144,065	(1,337,425)	3,709,976	-	7,516,616
Cancellation of treasury shares	(63)	(630)	(505)	-	-	-	-	-	-	1,135	-
Share-based payments	-	-	93,201	-	-	-	-	-	-	-	93,201
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	159,863	159,863	-	(159,863)	-	-
Treasury shares transferred to employees	-	-	(346)	-	-	-	-	-	-	108,897	108,551
BALANCE AT DECEMBER 31, 2021	<u>1,140,405</u>	<u>\$ 11,404,047</u>	<u>\$ 10,407,670</u>	<u>\$ 2,441,853</u>	<u>\$ 70,678</u>	<u>\$ 8,487,671</u>	<u>\$ 11,000,202</u>	<u>\$ (2,360,327)</u>	<u>\$ 4,715,574</u>	<u>\$ -</u>	<u>\$ 35,167,166</u>

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

E INK HOLDINGS INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,298,988	\$ 3,804,501
Adjustments for		
Depreciation expenses	255,378	246,417
Amortization expenses	51,387	50,658
Expected credit loss recognized on accounts receivable	9,769	18,058
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	1,068	53,381
Interest expenses	61,290	53,297
Interest income	(1,303)	(7,015)
Dividend income	(193,790)	(85,417)
Compensation costs of share-based payments	26,961	(547)
Share of profit of subsidiaries and associates accounted for using the equity method	(4,190,633)	(2,823,170)
Net loss (gain) on disposal of property, plant and equipment	(3,081)	80,477
Net loss (gain) on disposal of investments	(547)	2,349
Write-downs of inventories	8,975	43,411
Net unrealized gain on foreign currency exchange	(44,811)	(29,160)
Gain on lease modifications	(2)	-
Royalty income	(239,356)	(248,072)
Changes in operating assets and liabilities		
Accounts receivable	(1,152,985)	354,254
Accounts receivable from related parties	(2,255,634)	(986,127)
Inventories	(1,652,832)	(67,499)
Prepayments	(15,561)	(7,517)
Other current assets	6,528	618
Contract liabilities	2,520,034	370,192
Notes and accounts payable	1,240,845	381,158
Accounts payable to related parties	4,023,575	251,510
Other payables	220,604	45,802
Receipts in advance	189,077	64,872
Other current liabilities	(21,629)	41,052
Net defined benefit liabilities	(5,156)	(2,121)
Cash generated from operations	4,137,159	1,605,362
Income tax paid	(227,401)	(31,724)
Net cash generated from operating activities	<u>3,909,758</u>	<u>1,573,638</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(1,884,252)	(299,550)
Proceeds from disposal of financial assets at fair value through other comprehensive income	20,354	-
Acquisition of financial assets at amortized cost	(34,665)	(34,585)

(Continued)

E INK HOLDINGS INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Proceeds from disposal of financial assets at amortized cost	\$ 34,585	\$ 34,666
Acquisition of financial assets at fair value through profit or loss	(10,497)	-
Proceeds from sale of financial assets at fair value through profit or loss	16,170	-
Acquisition of subsidiaries	-	(285,245)
Acquisition of property, plant and equipment	(1,112,370)	(263,621)
Proceeds from disposal of property, plant and equipment	3,124	11,571
Decrease in refundable deposits	46,450	-
Increase in other receivables from related parties	(8,993)	(1,326)
Acquisition of other intangible assets	(14,638)	(33,319)
Increase in other non-current assets	-	(59)
Interest received	1,281	7,151
Dividends received	<u>979,942</u>	<u>85,417</u>
Net cash used in investing activities	<u>(1,963,509)</u>	<u>(778,900)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	907,900
Decrease in short-term borrowings	(1,635,350)	-
Increase in short-term bills payable	3,599,942	319,737
Increase in long-term borrowings	784,340	63,000
Repayment of the principal portion of lease liabilities	(23,443)	(20,927)
Increase (decrease) in other non-current liabilities	1	(390)
Cash dividends	(3,062,779)	(2,268,726)
Proceeds from treasury shares transferred to employees	108,551	-
Interest paid	(61,986)	(51,820)
Return of overdue uncollected dividends	<u>34</u>	<u>-</u>
Net cash used in financing activities	<u>(290,690)</u>	<u>(1,051,226)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,655,559	(256,488)
CASH AT THE BEGINNING OF THE YEAR	<u>764,953</u>	<u>1,021,441</u>
CASH AT THE END OF THE YEAR	<u>\$ 2,420,512</u>	<u>\$ 764,953</u>

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

(Concluded)

E INK HOLDINGS INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

E Ink Holdings Inc. (the “Company”) was incorporated in June 1992 in the Hsinchu Science Park. The Company’s shares have been listed on the Taipei Exchange (TPEX) Mainboard since March 30, 2004. The Company mainly researches, develops, manufactures and sells electronic paper display panels.

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

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 11, 2022.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively referred to as the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

<u>New, Amended or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17- Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022

- 1) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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

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

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investment in subsidiaries

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

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

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

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

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

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

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

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

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

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

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

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

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

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

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

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

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

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

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

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

3) Derecognition of intangible assets

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

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any dividends, interest earned and gains or losses on remeasurement recognized in non-operating income and expenses. Fair value is determined in the manner described in Note 24.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Company determines that a financial asset is in default (without taking into account any collateral held by the Company) when internal or external information shows that the debtor is unlikely to pay its creditors.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments, including foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

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

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

l. Provisions

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

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

m. Revenue recognition

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

1) Revenue from sale of goods

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

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

2) Licensing revenue

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

n. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

o. Borrowing costs

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Share-based payment arrangements

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

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimations and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimations are recognized in the period in which the estimations are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Impairment of Investments Accounted for Using the Equity Method

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

6. CASH

	December 31	
	2021	2020
Cash on hand	\$ 183	\$ 183
Checking accounts and demand deposits	<u>2,420,329</u>	<u>764,770</u>
	<u>\$ 2,420,512</u>	<u>\$ 764,953</u>

The market rate intervals of demand deposits at the end of the reporting years were as follows:

	<u>December 31</u>	
	2021	2020
Demand deposits	0.01%-0.2%	0.01%-0.2%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
<u>Financial assets - current (included in other current assets)</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 710</u>	<u>\$ 6,904</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	USD/NTD	2022.02	USD6,000/NTD166,080
<u>December 31, 2020</u>			
Sell	USD/NTD	2021.01-2021.03	USD40,750/NTD1,160,560

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2021	2020
<u>Investments in equity instruments - non-current</u>		
Domestic investments		
Listed shares and emerging market shares	<u>\$ 4,769,739</u>	<u>\$ 1,648,432</u>

The Company holds the above investments in equity instruments for long-term strategic purposes and expects to gain profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2021	2020
Accounts receivable	\$ 1,800,681	\$ 653,252
Less: Loss allowance	<u>(802)</u>	<u>(890)</u>
	<u>1,799,879</u>	<u>652,362</u>
Accounts receivable from related parties (Note 25)	5,957,472	3,658,949
Less: Loss allowance	<u>(17,177)</u>	<u>(17,673)</u>
	<u>5,940,295</u>	<u>3,641,276</u>
	<u>\$ 7,740,174</u>	<u>\$ 4,293,638</u>

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

The following table detailed the loss allowance for accounts receivable:

December 31, 2021

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	74%	
Gross carrying amount	\$ 7,639,267	\$ 94,701	\$ 24,185	\$ 7,758,153
Loss allowance	<u>-</u>	<u>-</u>	<u>(17,979)</u>	<u>(17,979)</u>
Amortized cost	<u>\$ 7,639,267</u>	<u>\$ 94,701</u>	<u>\$ 6,206</u>	<u>\$ 7,740,174</u>

December 31, 2020

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	97%	
Gross carrying amount	\$ 3,642,690	\$ 650,296	\$ 19,215	\$ 4,312,201
Loss allowance	<u>-</u>	<u>-</u>	<u>(18,563)</u>	<u>(18,563)</u>
Amortized cost	<u>\$ 3,642,690</u>	<u>\$ 650,296</u>	<u>\$ 652</u>	<u>\$ 4,293,638</u>

The movements of the loss allowance were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 18,563	\$ 890
Add: Expected credit losses recognized	-	18,058
Foreign exchange translation gains and losses	<u>(584)</u>	<u>(385)</u>
Balance at December 31	<u>\$ 17,979</u>	<u>\$ 18,563</u>

Accounts receivable of the Company were mainly concentrated in customers A, B, C and D. The accounts receivable from the foregoing customers, as of December 31, 2021 and 2020, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
Customer A	\$ 660,752	\$ 73,961
Customer B	472,701	185,060
Customer C	234,796	104,806
Customer D	<u>189,400</u>	<u>177,781</u>
	<u>\$ 1,557,649</u>	<u>\$ 541,608</u>

10. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 865,068	\$ 659,958
Semi-finished goods	339,634	276,252
Work in progress	251,775	105,110
Raw materials	<u>1,875,124</u>	<u>646,424</u>
	<u>\$ 3,331,601</u>	<u>\$ 1,687,744</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 included write-downs of inventories of \$8,975 thousand and \$43,411 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 34,982,640	\$ 30,361,090
Investments in associates	<u>1,093</u>	<u>1,888</u>
	<u>\$ 34,983,733</u>	<u>\$ 30,362,978</u>

a. Investment in subsidiaries

	December 31	
	2021	2020
Unlisted companies		
PVI Global Limited (originally named PVI Global Corp.)	\$ 16,233,100	\$ 15,387,931
YuanHan Materials Inc.	8,642,719	5,446,007
New Field e-Paper Co., Ltd.	5,497,393	5,112,044
E Ink Corporation	4,239,021	4,036,496
Dream Universe Ltd.	349,001	359,170
E Ink Japan Inc.	16,492	14,896
Tech Smart Logistics Ltd.	3,708	3,602
Linfy Corporation	1,206	944
Prime View Communications Ltd. (Note)	-	-
Hot Tracks International Ltd.	<u>-</u>	<u>-</u>
	<u>\$ 34,982,640</u>	<u>\$ 30,361,090</u>

Note: As of December 31, 2021 and 2020, the investment in Prime View Communications Ltd. was recorded as other non-current liabilities due to the credit balance of \$33,896 thousand and \$3,859 thousand, respectively.

Name of subsidiary	Proportion of Ownership and Voting Rights	
	2021	2020
PVI Global Limited (originally named PVI Global Corp.) (Notes 3, 6 and 7)	100.00%	100.00%
YuanHan Materials Inc.	100.00%	100.00%
New Field e-Paper Co., Ltd.	100.00%	100.00%
E Ink Corporation (Notes 1 and 6)	45.31%	45.31%
Dream Universe Ltd.	100.00%	100.00%
E Ink Japan Inc. (Note 4)	100.00%	100.00%
Tech Smart Logistics Ltd. (Note 1)	0.09%	0.09%
Linfiny Corporation (Note 2)	4.00%	4.00%
Prime View Communications Ltd.	100.00%	100.00%
Hot Tracks International Ltd. (Note 5)	-	-

Refer to Note 30 for the details of investment in subsidiaries indirectly held by the Company.

Note 1: Although each of the Company's equity interests in E Ink Corporation and Tech Smart Logistics Ltd. did not exceed 50%, respectively, the combined equity interests of the Company and its subsidiaries in the above companies were 100%. Therefore, E Ink Corporation and Tech Smart Logistics Ltd. are subsidiaries of the Company.

Note 2: To adjust the investment structure, the Company purchased 4% ownership of Linfiny Corporation from YuanHan Material Inc. in October 2019 by \$4,340 thousand. The combined equity interests of the Company and its subsidiaries in Linfiny Corporation exceeded 50%; therefore, it is a subsidiary of the Company.

Note 3: The board of directors of the PVI Global Limited's subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., approved in March 2020 for an investment plan for the next three to five years. The content of the investment plan included the construction of R&D buildings, capacity expansion and fundamental operating expenses, with expected investment amount from US\$50,000 thousand to US\$55,000 thousand. The source of funds is from the parent company's capital increase via cash and the subsidiary's proprietary funds. In January 2020 and June 2021, the Company invested US\$9,000 thousand in cash in its subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., through PVI Global Limited and PVI International Corp.

Note 4: To adjust the investment structure, the Company purchased 100% ownership of E Ink Japan Inc. from E Ink Corporation in September 2020.

Note 5: Hot Tracks International Ltd. has completed its liquidation process in October 2020.

Note 6: To improve the Company's strategic development and arrange long-term operating strategy, the Company's board of directors approved in November 2021 an adjustment to the organizational structure. The Company planned to transfer all its shares of E Ink Corporation to Dream Pacific International Corp, and to migrate PVI Global Limited and Dream Pacific International Corp to the Netherlands.

Note 7: Dream Pacific International Limited and PVI Global Limited were renamed, which were approved by the Company's board of directors on November 5, 2021.

These subsidiaries are included in the consolidated financial statements of the Company as of December 31, 2021 and 2020.

b. Investments in associates

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Associates that are not individually material	<u>\$ 1,093</u>	<u>\$ 1,888</u>
<u>Aggregate information of associates that are not individually material</u>		
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
The Company's share of		
Net loss for the year	\$ (1,013)	\$ (4,709)
Other comprehensive loss	<u>(211)</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (1,224)</u>	<u>\$ (4,709)</u>

In July 2020, the Company acquired 2.66% ownership of Plastic Logic HK Limited, which increased the combined shareholding percentage to more than 20%. The investment was accounted for using the equity method since the Company had significant influence over Plastic Logic HK Limited.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments except for some associates, the other were based on the audited financial statements of subsidiaries and associates for the corresponding year.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 1,989,194	\$ 5,154,746	\$ 1,290,469	\$ 149,400	\$ 8,583,809
Additions	5,481	19,984	72,045	205,874	303,384
Disposals	(246,055)	(607,589)	(93,478)	-	(947,122)
Reclassifications	<u>29,149</u>	<u>73,476</u>	<u>81,542</u>	<u>(191,162)</u>	<u>(6,995)</u>
Balance at December 31, 2020	<u>\$ 1,777,769</u>	<u>\$ 4,640,617</u>	<u>\$ 1,350,578</u>	<u>\$ 164,112</u>	<u>\$ 7,933,076</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2020	\$ 1,287,261	\$ 4,967,718	\$ 998,478	\$ -	\$ 7,253,457
Depreciation expenses	40,192	70,721	108,866	-	219,779
Disposals	<u>(166,327)</u>	<u>(595,447)</u>	<u>(93,300)</u>	<u>-</u>	<u>(855,074)</u>
Balance at December 31, 2020	<u>\$ 1,161,126</u>	<u>\$ 4,442,992</u>	<u>\$ 1,014,044</u>	<u>\$ -</u>	<u>\$ 6,618,162</u>
Carrying amount at December 31, 2020	<u>\$ 616,643</u>	<u>\$ 197,625</u>	<u>\$ 336,534</u>	<u>\$ 164,112</u>	<u>\$ 1,314,914</u>

(Continued)

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 1,777,769	\$ 4,640,617	\$ 1,350,578	\$ 164,112	\$ 7,933,076
Additions	1,515	34,777	18,805	1,099,321	1,154,418
Disposals	(300,654)	(786,924)	(69,735)	-	(1,157,313)
Reclassifications	4,520	109,979	280,141	(401,436)	(6,796)
Balance at December 31, 2021	<u>\$ 1,483,150</u>	<u>\$ 3,998,449</u>	<u>\$ 1,579,789</u>	<u>\$ 861,997</u>	<u>\$ 7,923,385</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ 1,161,126	\$ 4,442,992	\$ 1,014,044	\$ -	\$ 6,618,162
Depreciation expenses	39,613	54,764	132,134	-	226,511
Disposals	(300,653)	(786,881)	(69,736)	-	(1,157,270)
Balance at December 31, 2021	<u>\$ 900,086</u>	<u>\$ 3,710,875</u>	<u>\$ 1,076,442</u>	<u>\$ -</u>	<u>\$ 5,687,403</u>
Carrying amount at December 31, 2021	<u>\$ 583,064</u>	<u>\$ 287,574</u>	<u>\$ 503,347</u>	<u>\$ 861,997</u>	<u>\$ 2,235,982</u>

(Concluded)

Information about the capitalized interest is as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest	<u>\$ 4,737</u>	<u>\$ 1,274</u>
Capitalization rate intervals	0.77-0.85%	0.83-0.98%

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

Buildings	
Main buildings	33-56 years
Clean rooms and plumbing construction	25-30 years
Others	2-14 years
Machinery	1-11 years
Other equipment	1-26 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 793,115	\$ 813,458
Other equipment	<u>4,650</u>	<u>1,809</u>
	<u>\$ 797,765</u>	<u>\$ 815,267</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 11,531</u>	<u>\$ 1,320</u>
Depreciation of right-of-use assets		
Land	\$ 26,624	\$ 24,880
Other equipment	<u>2,243</u>	<u>1,758</u>
	<u>\$ 28,867</u>	<u>\$ 26,638</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current (included in other current liabilities)	<u>\$ 26,462</u>	<u>\$ 20,731</u>
Non-current	<u>\$ 787,622</u>	<u>\$ 805,440</u>

Discount rate intervals for lease liabilities are as follows:

	December 31	
	2021	2020
Land	0.56-1.56%	1.56%
Other equipment	0.60-0.61%	0.61-0.86%

c. Material lease-in activities and terms

The Company leased certain land in the Hsinchu Science Park from the Hsinchu Science Park Bureau of the Ministry of Science and Technology from July 1, 2014 to December 31, 2033. The rental amount is calculated on the basis of the mutual agreement. The lessor may adjust the rent at any time on the basis of changes in announced land values and related laws and regulations. At the end of the lease terms, the Company has renewal options if the Company does not violate the lease agreements during the rental period.

The Company also leased land which is located at Taoyuan for the use of plants and offices, with the lease term of 20 years, and the lease payments will be adjusted every year on the basis of changes in announced land values, with the adjusted limitation of 3% and renewal options at the end of the lease term.

The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, without the lessors' consent, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets, changing their use, or using illegally.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 5,864</u>	<u>\$ 6,416</u>
Total cash outflow for leases	<u>\$ 42,030</u>	<u>\$ 40,344</u>

The Company leases other equipment which qualifies as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured borrowings	\$ 1,840,200	\$ 3,449,400
Secured borrowings (Note 30)	<u>370,000</u>	<u>400,000</u>
	<u>\$ 2,210,200</u>	<u>\$ 3,849,400</u>
Foreign currency included USD (in thousands)	<u>\$ 15,000</u>	<u>\$ 30,000</u>
Interest rate intervals	0.69%-0.96%	0.80%-0.94%

Refer to Table 2 for secured borrowings endorsed and guaranteed by the subsidiaries Hydis Technologies Co., Ltd. for the Company.

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	\$ 4,300,000	\$ 700,000
Less: Discounts on bills payable	<u>(402)</u>	<u>(344)</u>
	<u>\$ 4,299,598</u>	<u>\$ 699,656</u>
Interest rate intervals	0.38-0.66%	0.31-0.65%

As of December 31, 2021, commercial papers include a syndicated loan agreement with syndicate of banks, and the total is \$3,400,000 thousand, refer to c. long-term borrowings.

c. Long-term borrowings

	December 31	
	2021	2020
Syndicated loans	\$ 459,340	\$ -
Unsecured borrowings	<u>388,000</u>	<u>63,000</u>
	<u>\$ 847,340</u>	<u>\$ 63,000</u>
Interest rate intervals	<u>0.65%-1.00%</u>	<u>0.65%-0.80%</u>

Long-term unsecured borrowings will expire in December 2026, and interests are repaid on a monthly basis.

To enrich medium-term working capital, the Company entered into a syndicated loan agreement with syndicate of seven banks led by Mega International Commercial Bank Co., Ltd. on December 15, 2020, and the total credit facility is \$6,800,000 thousand (including commercial promissory note, total is \$5,440,000 thousand). The duration period is within 5 years from the first drawdown date (August 2021). As of December 31, 2021, long-term borrowings of US\$17,000 thousand and commercial paper of \$3,400,000 thousand had been used.

The Company promises that during the credit period, its semi-annual reviewed current ratio shall not be less than 100%, debt ratio shall not exceed 200%, interest coverage ratio shall not be less than 5 times, and tangible net worth shall not be less than \$15,000,000 thousand. The Company should meet certain financial ratios based on its audited consolidated annual financial statements and reviewed consolidated financial statements for the six months ended June 30, 2021.

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 159,847	\$ 153,141
Fair value of plan assets	<u>(69,811)</u>	<u>(67,827)</u>
Net defined benefit liabilities	<u>\$ 90,036</u>	<u>\$ 85,314</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	\$ 142,734	\$ (65,793)	\$ 76,941
Current service cost	1,095	-	1,095
Net interest expense (income)	<u>1,071</u>	<u>(510)</u>	<u>561</u>
Recognized in profit or loss	<u>2,166</u>	<u>(510)</u>	<u>1,656</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,222)	(2,222)
Actuarial (gain) loss			
Changes in demographic assumptions	5,307	-	5,307
Changes in financial assumptions	4,187	-	4,187
Experience adjustments	<u>3,222</u>	<u>-</u>	<u>3,222</u>
Recognized in other comprehensive income (loss)	<u>12,716</u>	<u>(2,222)</u>	<u>10,494</u>
Contributions from the employer	-	(3,777)	(3,777)
Benefits paid	<u>(4,475)</u>	<u>4,475</u>	<u>-</u>
Balance at December 31, 2020	<u>153,141</u>	<u>(67,827)</u>	<u>85,314</u>
Service cost			
Current service cost	1,672	-	1,672
Past service cost	157	-	157
Net interest expense (income)	<u>766</u>	<u>(348)</u>	<u>418</u>
Recognized in profit or loss	<u>2,595</u>	<u>(348)</u>	<u>2,247</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(862)	(862)
Actuarial (gain) loss			
Changes in demographic assumptions	7,082	-	7,082
Changes in financial assumptions	-	-	-
Experience adjustments	<u>3,658</u>	<u>-</u>	<u>3,658</u>
Recognized in other comprehensive income (loss)	<u>10,740</u>	<u>(862)</u>	<u>9,878</u>
Contributions from the employer	-	(7,403)	(7,403)
Benefits paid	<u>(6,629)</u>	<u>6,629</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 159,847</u>	<u>\$ (69,811)</u>	<u>\$ 90,036</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

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

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

	<u>December 31</u>	
	2021	2020
Discount rates	0.50%	0.50%
Expected rates of salary increase	2.75%	2.75%

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

	<u>December 31</u>	
	2021	2020
Discount rates		
0.25% increase	<u>\$ (4,348)</u>	<u>\$ (4,349)</u>
0.25% decrease	<u>\$ 4,528</u>	<u>\$ 4,530</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 4,355</u>	<u>\$ 4,354</u>
0.25% decrease	<u>\$ (4,206)</u>	<u>\$ (4,204)</u>

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

	<u>December 31</u>	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 8,092</u>	<u>\$ 3,718</u>
Average duration of the defined benefit obligation	11.9 years	11.8 years

16. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	<u>2,000,000</u>	<u>2,000,000</u>
Amount of shares authorized	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,140,405</u>	<u>1,140,468</u>
Amount of shares issued	<u>\$ 11,404,047</u>	<u>\$ 11,404,677</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)</u>		
Issuance of shares	\$ 9,531,866	\$ 9,494,322
Conversion of bonds	525,200	525,200
Treasury share transactions	260,084	151,920
Expired employee share options	57,448	50,346
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in associates (2)	8,945	4,195
Unclaimed dividends extinguished by prescription	74	40
<u>May not be used for any purpose</u>		
Employee share options	<u>24,053</u>	<u>84,513</u>
	<u>\$ 10,407,670</u>	<u>\$ 10,310,536</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with at least 50% of any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Note 18.

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

The shareholders of the Company held their regular meeting on June 18, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation. The amendments explicitly stipulate that the board of directors are authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholder's meeting.

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

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

The appropriations of earnings for 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Legal reserve	<u>\$ 360,122</u>	<u>\$ 308,077</u>
Reversal of special reserve	<u>\$ 29,881</u>	<u>\$ 154,916</u>
Cash dividends	<u>\$ 3,062,779</u>	<u>\$ 2,268,726</u>
Dividends per share (NT\$)	<u>\$ 2.7</u>	<u>\$ 2.0</u>

The appropriations of earnings for 2019 were approved in the shareholders' meeting on June 18, 2020; the above 2020 appropriation for cash dividends had been resolved by the Company's board of directors on March 16, 2021. The other proposed appropriation was resolved by the shareholders in their meeting held on July 7, 2021.

The appropriations of earnings for 2021 were proposed by the Company's board of directors on March 11, 2022. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2021
Legal reserve	<u>\$ 530,211</u>
Cash dividends	<u>\$ 3,649,295</u>
Dividends per share (NT\$)	<u>\$ 3.2</u>

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 22, 2022.

d. Special reserve

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 100,559	\$ 255,475
Reversals		
Reversal of the debits to other equity items	<u>(29,881)</u>	<u>(154,916)</u>
Balance at December 31	<u>\$ 70,678</u>	<u>\$ 100,559</u>

If a special reserve of \$70,678 thousand appropriated on the first-time adoption of IFRSs relates to the exchange differences on translating the financial statements of foreign operations, the special reserve will be reversed proportionately on the Company's disposal of the foreign operations; on the Company's loss of significant influence; however, the entire special reserve will be reversed. An additional special reserve should be appropriated for the amount equal to the difference between the net debit balance of the reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and may thereafter be distributed.

e. Other equity items

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (1,022,902)	\$ (937,787)
Recognized for the year		
Share of exchange differences of subsidiaries and associates accounted for using the equity method	(1,337,425)	(86,656)
Disposal of subsidiaries	<u>-</u>	<u>1,541</u>
Balance at December 31	<u>\$ (2,360,327)</u>	<u>\$ (1,022,902)</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 1,165,461	\$ 907,906
Recognized for the year		
Unrealized gain (loss) on equity instruments	1,257,409	(12,534)
Share from subsidiaries and associates accounted for using the equity method	2,452,567	277,953
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal		
The Company	(19,378)	-
Share from subsidiaries and associates accounted for using the equity method	<u>(140,485)</u>	<u>(7,864)</u>
Balance at December 31	<u>\$ 4,715,574</u>	<u>\$ 1,165,461</u>

f. Treasury shares

	For the Year Ended December 31	
	2021	2020
Number of shares (in thousands) at January 1	6,105	6,105
Transferred to employees	(6,042)	-
Cancellation of treasury shares	<u>(63)</u>	<u>-</u>
Number of shares (in thousands) at December 31	<u>-</u>	<u>6,105</u>

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

In June 2021, the Company transferred 6,042 thousand shares to its employees and charged the price of employee stock warrants which were exercised. The cost of treasury shares \$108,897 thousand had been decreased. The date to deliver the shares to employees was July 2021. Under the Securities and Exchange Act, those shares not transferred before the due date are considered as unissued shares of the Company subject to processing of the registration of the changes. On August 6, 2021, the board of directors resolved to cancel 63 thousand restricted stock, and the amount of the capital reduction was \$630 thousand. The measurement date was on August 6, 2021. The capital reduction process was completed on August 20, 2021.

17. REVENUE

a. Revenue from contracts with customers

Type of Revenue/Category by Product	For the Year Ended December 31	
	2021	2020
Revenue from sale of goods (Note)		
Consumer electronics	\$ 11,858,174	\$ 10,190,474
Internet of Things applications	6,179,675	4,124,518
Others	<u>30,731</u>	<u>50,876</u>
	<u>\$ 18,068,580</u>	<u>\$ 14,365,868</u>
Royalty income	<u>\$ 239,356</u>	<u>\$ 248,072</u>

Note: The Company mainly researches, develops, and manufactures electronic paper products. With the diversification of product applications, the business decision of the Company focused on the application categories and development of electronic paper products. Therefore, to use the application category of product to disclose the type of revenue is more in line with the development strategy of the Company devoted to applications of electronic paper products and provides more relevant information.

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable (Note 9)	<u>\$ 1,799,879</u>	<u>\$ 652,362</u>	<u>\$ 985,790</u>
Accounts receivable - related party (Note 9)	<u>\$ 5,940,295</u>	<u>\$ 3,641,276</u>	<u>\$ 2,665,187</u>
Contract liabilities - current			
Royalty	\$ 80,580	\$ 89,416	\$ 89,286
Sale of goods	<u>2,539,716</u>	<u>219,602</u>	<u>61,125</u>
	<u>2,620,296</u>	<u>309,018</u>	<u>150,411</u>
Contract liabilities - non-current			
Royalty	<u>-</u>	<u>30,600</u>	<u>67,087</u>
	<u>\$ 2,620,296</u>	<u>\$ 339,618</u>	<u>\$ 217,498</u>

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

Type of Revenue	For the Year Ended December 31	
	2021	2020
Royalty income	\$ 89,416	\$ 89,286
Revenue from sale of goods	<u>219,602</u>	<u>61,125</u>
	<u>\$ 309,018</u>	<u>\$ 150,411</u>

18. NET INCOME

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 1,165	\$ 6,842
Others	<u>138</u>	<u>173</u>
	<u>\$ 1,303</u>	<u>\$ 7,015</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 226,511	\$ 219,779
Other intangible assets	51,387	50,658
Right-of-use assets	<u>28,867</u>	<u>26,638</u>
	<u>\$ 306,765</u>	<u>\$ 297,075</u>
 An analysis of depreciation by function		
Operating costs	\$ 106,756	\$ 121,166
Operating expenses	<u>148,622</u>	<u>125,251</u>
	<u>\$ 255,378</u>	<u>\$ 246,417</u>
 An analysis of amortization by function		
Operating costs	\$ 4	\$ -
Operating expenses	<u>51,383</u>	<u>50,658</u>
	<u>\$ 51,387</u>	<u>\$ 50,658</u>

c. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2021	2020
Post-employment benefits (Note 15)		
Defined contribution plans	\$ 49,649	\$ 43,278
Defined benefit plans	<u>2,247</u>	<u>1,656</u>
	51,896	44,934
Share-based payments		
Equity-settled	26,961	(547)
Other employee benefits	<u>1,482,754</u>	<u>1,214,693</u>
Total employee benefits expense	<u>\$ 1,561,611</u>	<u>\$ 1,259,080</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 331,127	\$ 204,873
Operating expenses	<u>1,230,484</u>	<u>1,054,207</u>
	<u>\$ 1,561,611</u>	<u>\$ 1,259,080</u>

d. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at the rates of no less than 1% and no higher than 10% as well as remuneration of directors at the rates of no higher than 1%, respectively, of net income before income tax, employees' compensation and remuneration of directors, net of accumulated deficit, if any. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 11, 2022 and March 16, 2021, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Employees' compensation	<u>\$ 53,800</u>	<u>\$ 38,650</u>
Remuneration of directors	<u>\$ 25,000</u>	<u>\$ 20,000</u>

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate in the following year. There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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

19. INCOME TAXES

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Current tax		
In respect of the current year	\$ 222,646	\$ 258,196
Income tax on unappropriated earnings	-	34,438
Adjustments for the prior years	<u>(38,043)</u>	<u>(18,278)</u>
	184,603	274,356
Deferred tax		
In respect of the current year	<u>(35,660)</u>	<u>(72,444)</u>
Income tax expense recognized in profit or loss	<u>\$ 148,943</u>	<u>\$ 201,912</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Income before income tax	<u>\$ 5,298,988</u>	<u>\$ 3,804,501</u>
Income tax expense calculated at the statutory rate	\$ 1,059,798	\$ 760,900
Nondeductible expenses in determining taxable income	4,106	5,713
Tax-exempt income	(876,994)	(581,716)
Income tax on unappropriated earnings	-	34,438
Unrecognized deductible temporary differences	76	855
Adjustments for the prior years	<u>(38,043)</u>	<u>(18,278)</u>
Income tax expense recognized in profit or loss	<u>\$ 148,943</u>	<u>\$ 201,912</u>

- b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	\$ 1,976	\$ 2,099
Share of the other comprehensive income (loss) of subsidiaries and associates	<u>(204,061)</u>	<u>(11,022)</u>
	<u>\$ (202,085)</u>	<u>\$ (8,923)</u>

- c. Current tax assets and liabilities

	<u>December 31</u>	
	2021	2020
Current tax liabilities		
Income tax payable	<u>\$ 243,657</u>	<u>\$ 286,455</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventories	\$ 197,601	\$ 7,284	\$ -	\$ 204,885
Accounts receivable	36,908	(7,016)	-	29,892
Property, plant and equipment	18,357	(2,287)	-	16,070
Prepayments	17,639	-	-	17,639
Defined benefit plans	20,676	-	1,976	22,652
Deferred revenue	40,413	37,852	-	78,265
Others	<u>22,191</u>	<u>4,566</u>	<u>-</u>	<u>26,757</u>
	<u>\$ 353,785</u>	<u>\$ 40,399</u>	<u>\$ 1,976</u>	<u>\$ 396,160</u>

Deferred tax liabilities

Temporary differences				
Other	<u>\$ 4,183</u>	<u>\$ 4,739</u>	<u>\$ -</u>	<u>\$ 8,922</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventories	\$ 169,090	\$ 28,511	\$ -	\$ 197,601
Accounts receivable	10,477	26,431	-	36,908
Property, plant and equipment	23,221	(4,864)	-	18,357
Prepayments	17,639	-	-	17,639
Defined benefit plans	18,577	-	2,099	20,676
Deferred revenue	23,351	17,062	-	40,413
Others	<u>13,228</u>	<u>8,963</u>	<u>-</u>	<u>22,191</u>
	<u>\$ 275,583</u>	<u>\$ 76,103</u>	<u>\$ 2,099</u>	<u>\$ 353,785</u>

Deferred tax liabilities

Temporary differences				
Other	<u>\$ 524</u>	<u>\$ 3,659</u>	<u>\$ -</u>	<u>\$ 4,183</u>

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

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$14,784,537 thousand and \$13,663,229 thousand, respectively.

- f. Income tax assessments

The income tax returns of the Company through 2019 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share (NT\$)	<u>\$ 4.53</u>	<u>\$ 3.18</u>
Diluted earnings per share (NT\$)	<u>\$ 4.52</u>	<u>\$ 3.17</u>

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

	For the Year Ended December 31	
	2021	2020
Net income for the year	<u>\$ 5,150,045</u>	<u>\$ 3,602,589</u>

Number of Shares

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares (in thousands) used in the computation of basic earnings per share	1,137,384	1,134,363
Effect of potentially dilutive ordinary shares (in thousands)		
Employees' compensation	507	1,149
Share-based payment arrangements	<u>2,387</u>	<u>2,464</u>
Weighted average number of ordinary shares (in thousands) used in the computation of diluted earnings per share	<u>1,140,278</u>	<u>1,137,976</u>

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

21. SHARE-BASED PAYMENT ARRANGEMENTS

a. Treasury shares transferred to employees

The board of directors resolved on May 7, 2021 and August 14, 2018 to transfer treasury shares of 1,431 thousand shares and 5,885 thousand shares, respectively, to qualified employees of the Company and its subsidiaries. In compliance with the Company's Regulations Governing Share Repurchase and Transfer to Employees, the transfer price for each arrangement is the average of the actual acquisition price of the treasury shares.

Information about treasury shares transferred to employees is as follows:

For the year ended December 31, 2021

Grant Date	Transferable Shares in Thousands	Shares in Thousands Transferred for the Year	Accumulated Shares in Thousands Transferred	Expired Shares in Thousands	Shares in Thousands at December 31
May 7, 2021	<u>1,431</u>	<u>1,368</u>	<u>1,368</u>	<u>63</u>	<u>-</u>
August 14, 2018	<u>5,885</u>	<u>4,674</u>	<u>4,714</u>	<u>1,171</u>	<u>-</u>

For the year ended December 31, 2020

Grant Date	Transferable Shares in Thousands	Shares in Thousands Transferred for the Year	Accumulated Shares in Thousands Transferred	Expired Shares in Thousands	Shares in Thousands at December 31
August 14, 2018	<u>5,885</u>	<u>-</u>	<u>40</u>	<u>549</u>	<u>5,296</u>

Treasury shares transferred to employees in 2021 and 2018 were priced using a Black-Scholes pricing model. Compensation cost recognized was \$12,533 thousand for the year ended December 31, 2021. Compensation cost was \$547 thousand for the year ended December 31, 2020, and the same amount of capital surplus - employee share options was reversed in both years. The inputs to the models were as follows:

	May 2021	August 2018
Grant date share price (NT\$)	\$61.40	\$36.85
Exercise price (NT\$)	\$18.02	\$18.02
Expected volatility	40.30%	53.23%
Expected life	0-1 year	0-1 year
Expected dividend yield	3.77%	2.46%
Risk-free interest rate	0.76%	0.91%
Weighted-average fair value of options granted (NT\$)	\$42.90	\$18.80

b. Employee share options plan

To attract and retain the professional talents needed by the Company, improve the employees' cohesion and sense of belonging to the Company, and jointly create the interests of the Company and shareholders, the board of directors of the Company resolved to issue 10,000 units of employee share options in May 2021 and December 2020, totaling 20,000 units. Each option entitles the holder to subscribe to 1,000 ordinary shares. The eligible participants in share options are the full-time employees of the Company and subsidiaries. The duration of the share options is 6 years that will expire on August 10, 2027.

Information about employee share options issued was as follows:

Share Options Grant Period	Percentage Exercisable (%) (Cumulative)
Over 2 years	40
Over 3 years	70
Over 4 years	100

Employee Share Options	For the Year Ended December 31, 2021	
	Unit	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	20,000	69-77.2
Options forfeited	<u>(105)</u>	
Balance at December 31	<u>19,895</u>	

The inputs to the models were as follows:

	August 2021	October 2021
Grant date share price (NT\$)	\$77.2	\$69
Exercise price (NT\$)	\$77.2	\$69
Expected volatility	40.50-43.77%	40.28-42.73%
Expected life	2-4 years	2-4 years
Expected dividend yield	3.77%	3.77%
Risk-free interest rate	0.760-0.765%	0.760-0.765%
Weighted-average fair value of options granted (NT\$)	\$14.7-19.8	\$13.2-17.2

Compensation costs recognized was \$14,428 thousand for the year ended December 31, 2021.

22. NON-CASH TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Company entered into the following non-cash investing activities:

	For the Year Ended December 31	
	2021	2020
Acquisition of property, plant and equipment		
Increase in property, plant and equipment	\$ 1,154,418	\$ 303,384
Increase (decrease) in payables for construction and equipment (included in other payables)	<u>(42,048)</u>	<u>(39,763)</u>
Net cash paid	<u>\$ 1,112,370</u>	<u>\$ 263,621</u>

23. CAPITAL MANAGEMENT

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

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

24. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets				
Foreign exchange forward contracts	\$ -	\$ 710	\$ -	\$ 710
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 4,769,739	\$ -	\$ -	\$ 4,769,739

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets				
Foreign exchange forward contracts	\$ -	\$ 6,904	\$ -	\$ 6,904
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 1,648,432	\$ -	\$ -	\$ 1,648,432

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

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ -	\$ 60,285
Recognized in profit or loss	<u>-</u>	<u>(60,285)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

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

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

b. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
FVTPL	\$ 710	\$ 6,904
Amortized cost (Note 1)	10,215,477	5,120,168
Equity instruments at FVTOCI	4,769,739	1,648,432
<u>Financial liabilities</u>		
Amortized cost (Note 2)	17,602,773	9,335,766

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, accounts receivable (including related parties) and other receivables (including related parties) (included in other current assets).

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables (including related parties) and long-term borrowings.

c. Financial risk management objectives and policies

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

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency risk, interest rate risk and other price risk.

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign-currency-denominated monetary assets and monetary liabilities at the end of the reporting years are set out in Note 29.

Sensitivity analysis

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

The following details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (NTD) against USD. The sensitivity analysis included only outstanding foreign-currency-denominated monetary items and adjusts their translation at the end of the year for a 1% change in foreign currency rates. For a 1% strengthening of NTD against USD, pre-tax income for the years ended December 31, 2021 and 2020 would increase by \$4,025 thousand and \$1,810 thousand, respectively. For a 1% weakening of NTD against USD, there would be an equal and opposite impact on pre-tax income.

b) Interest rate risk

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Fair value interest rate risk		
Financial assets	<u>\$ 34,665</u>	<u>\$ 34,585</u>
Financial liabilities	<u>\$ 7,357,138</u>	<u>\$ 4,612,056</u>
Lease liabilities	<u>\$ 814,084</u>	<u>\$ 826,171</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 2,420,329</u>	<u>\$ 764,770</u>

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting years. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting years was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The effective interest rates of floating rate financial assets will change when the market rates change, which will result in fluctuations in future cash flows.

If interest rates had been 50 basis points higher, the Company's pre-tax cash inflows for the years ended December 31, 2021 and 2020 would increase \$12,102 thousand and \$3,824 thousand, respectively, which was attributable to the Company's floating rate on its financial assets and if interest rates had been 50 basis points lower, there would be an equal and opposite impact on pre-tax cash flows.

c) Other price risk

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

Sensitivity analysis

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

If the price in equity securities had been 5% higher/lower, the other comprehensive income or loss before income tax for the years ended December 31, 2021 and 2020 would have increased/decreased by \$238,487 thousand and \$82,422 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

Changes in the Company's sensitivity to investments in equity securities mainly resulted from the increased investment in equity securities.

2) Credit risk

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

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

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

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Company's unutilized bank borrowing facilities were \$9,724,348 thousand and \$11,930,710 thousand, respectively.

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

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 3,249	\$ 6,498	\$ 29,130	\$ 131,165	\$ 858,675
Fixed interest rate liabilities	<u>5,832,398</u>	<u>691,030</u>	<u>5,669</u>	<u>862,407</u>	<u>-</u>
	<u>\$ 5,835,647</u>	<u>\$ 697,528</u>	<u>\$ 34,799</u>	<u>\$ 993,572</u>	<u>\$ 858,675</u>

Additional information about the maturity analysis for lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 38,877</u>	<u>\$ 131,165</u>	<u>\$ 160,808</u>	<u>\$ 160,808</u>	<u>\$ 160,808</u>	<u>\$ 376,251</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 2,827	\$ 5,655	\$ 24,942	\$ 129,194	\$ 890,836
Fixed interest rate liabilities	<u>2,617,174</u>	<u>1,940,784</u>	<u>353</u>	<u>64,671</u>	<u>-</u>
	<u>\$ 2,620,001</u>	<u>\$ 1,946,439</u>	<u>\$ 25,295</u>	<u>\$ 193,865</u>	<u>\$ 890,836</u>

Additional information about the maturity analysis for lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 33,424</u>	<u>\$ 129,194</u>	<u>\$ 160,808</u>	<u>\$ 160,808</u>	<u>\$ 160,808</u>	<u>\$ 408,412</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related party Category</u>
YuanHan Materials Inc.	Subsidiary
New Field e-Paper Co., Ltd.	Subsidiary
Linfiny Corporation	Subsidiary
Rich Optronics (Yangzhou) Co., Ltd.	Subsidiary
Transyork Technology Yangzhou Ltd.	Subsidiary
Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary
PVI International Corp.	Subsidiary
Prime View Communications Ltd.	Subsidiary
Hydis Technologies Co., Ltd.	Subsidiary
E Ink Japan Inc.	Subsidiary
E Ink Corporation	Subsidiary
E Ink California, LLC	Subsidiary
Johnson Lee	Key management personnel
S.C. Ho	Key management personnel
YFY Inc.	Investor with significant influence over the Company
Liverbricks Inc.	Subsidiary of investor with significant influence over the Company
YFY Corporate Advisory & Services Co., Ltd.	Subsidiary of investor with significant influence over the Company
Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Company
YFY Packaging Inc.	Subsidiary of investor with significant influence over the Company
Chung Hwa Pulp Corporation	Subsidiary of investor with significant influence over the Company
Fidelis IT Solutions Co., Ltd.	Subsidiary of investor with significant influence over the Company
YFY Development Corp.	Subsidiary of investor with significant influence over the Company
Arizon RFID Technology (Hong Kong) Co., Ltd.	Subsidiary of investor with significant influence over the Company
Sustainable Carbohydrate Innovation Co., Ltd.	Subsidiary of investor with significant influence over the Company
TGKW Management Limited	Substantive related party
Hsin Yi Enterprise Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
Foongtone Technology Co., Ltd.	Substantive related party
Shen's Art Printing Co., Ltd.	Substantive related party
SinoPac Securities Corp.	Substantive related party
Plastic Logic HK Limited	Associate
PL Germany GmbH	Associate
NTX Electronics Yangzhou Co., Ltd.	Associate
Yuen Foong Yu Biotech Co., Ltd.	Associate
Nuclera Nucleics Corporation	Associate

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Prime View Communications Ltd.	\$ 3,992,846	\$ 3,272,851
YuanHan Materials Inc.	1,944,678	1,193,439
Others	<u>35,995</u>	<u>423,628</u>
	5,973,519	4,889,918
Associate	<u>25,872</u>	<u>20,625</u>
	<u>\$ 5,999,391</u>	<u>\$ 4,910,543</u>

The sales price and collection terms were based on the agreements with the related parties.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
E Ink Corporation	\$ 5,727,661	\$ 3,426,707
Transcend Optronics (Yangzhou) Co., Ltd.	1,533,252	1,594,323
Others	<u>721,671</u>	<u>412,957</u>
	7,982,584	5,433,987
Associate	699,539	740,725
Others	<u>2,416</u>	<u>1,735</u>
	<u>\$ 8,684,539</u>	<u>\$ 6,176,447</u>

The purchase price and payment terms were based on the agreements with the related parties.

d. Manufacturing cost (included in operating costs)

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiary	<u>\$ 2,033,599</u>	<u>\$ 829,567</u>

e. Operating expenses

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiary	\$ 223,181	\$ 216,962
Substantive related party	18,178	17,652
Associate	12,166	24,252
Subsidiary of investor with significant influence over the Company	<u>1,885</u>	<u>1,473</u>
	<u>\$ 255,410</u>	<u>\$ 260,339</u>

f. Non-operating income - other income

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiary	\$ 7,457	\$ 2,177
Subsidiary of investor with significant influence over the Company	<u>-</u>	<u>17</u>
	<u>\$ 7,457</u>	<u>\$ 2,194</u>

g. Non-operating expense - other expenses

Related Party Category	For the Year Ended December 31	
	2021	2020
Key management personnel	<u>\$ -</u>	<u>\$ 4,771</u>

h. Receivables from related parties

Line Items	Related Party Category/Name	December 31	
		2021	2020
Accounts receivable from related parties	Subsidiary		
	Transcend Optronics (Yangzhou) Co., Ltd.	\$ 3,848,410	\$ 2,673,605
	Prime View Communications Ltd.	1,495,949	869,096
	YuanHan Materials Inc.	282,228	88,066
	Others	<u>244,949</u>	<u>10,509</u>
		<u>5,871,536</u>	<u>3,641,276</u>
	Associate	85,936	17,673
Less: Loss allowance	<u>(17,177)</u>	<u>(17,673)</u>	
	<u>68,759</u>	<u>-</u>	
	<u>\$ 5,940,295</u>	<u>\$ 3,641,276</u>	
Other receivables (include in other current assets)	Subsidiary	\$ 709	\$ 1,485
	Associate	9,688	-
	Less: Loss allowance	(9,769)	-
	Effects of foreign currency exchange differences	<u>81</u>	<u>-</u>
		<u>\$ 709</u>	<u>\$ 1,485</u>

The outstanding receivables from related parties were unsecured.

i. Payables to related parties

Line Items	Related Party Category/Name	December 31	
		2021	2020
Accounts payable to related parties	Subsidiary		
	Transcend Optronics (Yangzhou) Co., Ltd.	\$ 5,003,624	\$ 1,887,771
	E Ink Corporation	1,626,053	697,400
	Others	<u>154,766</u>	<u>161,750</u>
		6,784,443	2,746,921
		<u>5,112</u>	<u>14,434</u>
	Associate	829	5,546
	Subsidiary of investor with significant influence over the Company		
	Other related parties	<u>55</u>	<u>-</u>
		<u>\$ 6,790,439</u>	<u>\$ 2,766,901</u>
Other payables to related parties (included in other payables)	Subsidiary	\$ 15,860	\$ 6,513
	Others	<u>619</u>	<u>499</u>
		<u>\$ 16,479</u>	<u>\$ 7,012</u>

The outstanding payables to related parties were unsecured.

j. Receipts in advance

Related Party Category/Name	December 31	
	2021	2020
Subsidiary - Transcend Optronics (Yangzhou) Co., Ltd.	<u>\$ 387,339</u>	<u>\$ 198,262</u>

k. Acquisition of property, plant and equipment

Related Party Category	Purchase Price	
	For the Year Ended December 31	
	2021	2020
Subsidiary	\$ 22,302	\$ 1,930
Associate	<u>-</u>	<u>11,803</u>
	<u>\$ 22,302</u>	<u>\$ 13,733</u>

l. Acquisition of financial assets and equity

For the year ended December 31, 2020

Related Party Category	Line Item	Number of Shares in Thousand	Underlying Assets	Purchase Price		Note
Subsidiary	Investments accounted for using the equity method	9,000	Equity	\$ 285,245		1) and 4)
Associate	Investments accounted for using the equity method	224	Equity	<u>6,597</u>		2)
Investor with significant influence over the Company	Financial assets at fair value through other comprehensive income	336	Shares	291,842		3)
				<u>11,424</u>		
				<u>\$ 303,266</u>		

- 1) In January 2020, the Company invested US\$9,000 thousand in cash in its subsidiary, PVI Global Limited.
 - 2) In July 2020, the Company acquired 2.66% ownership of Plastic Logic HK Limited (included in investments accounted for using the equity method).
 - 3) In August 2020, the Company acquired 0.14% of ownership in Yuen Foong Yu Consumer Products Co., Ltd. from YFY Inc. (included in financial assets at fair value through other comprehensive income).
 - 4) To adjust the investment structure, the Company purchased 100% ownership of E Ink Japan Inc. from E Ink Corporation in September 2020.
- m. Guarantee deposits received (included in other non-current liabilities)

Related Party Category	December 31	
	2021	2020
Key management personnel	\$ 1,050	\$ 1,050
Others	<u>3</u>	<u>3</u>
	<u>\$ 1,053</u>	<u>\$ 1,053</u>

- n. Endorsements and guarantees provided by related parties

Related Party Category/Name	December 31	
	2021	2020
Subsidiary		
YuanHan Materials Inc.	\$ 2,350,000	\$ 1,850,000
E Ink Corporation	1,162,560	1,196,160
Linfiny Corporation	350,000	350,000
New Field e-Paper Co., Ltd.	<u>200,000</u>	<u>-</u>
	<u>\$ 4,062,560</u>	<u>\$ 3,396,160</u>

- o. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 127,164	\$ 112,920
Post-employment benefits	1,328	1,235
Share-based payments	<u>9,329</u>	<u>-</u>
	<u>\$ 137,821</u>	<u>\$ 114,155</u>

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

26. ASSETS PLEDGED AS COLLATERAL

The time deposits (included in other non-current assets) amounted to \$34,665 thousand and \$34,585 thousand as of December 31, 2021 and 2020, respectively, were provided as collateral for lease deposits of plants and land and tariff guarantee for imported inventories.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unused letters of credit of the Company for purchase of machinery amounted to \$190,572 thousand and \$208,330 thousand as of December 31, 2021 and 2020, respectively.

Guaranteed notes issued for long-term and short-term borrowings and lines of credit for derivative instrument trading were \$10,560,000 thousand and \$9,040,000 thousand as of December 31, 2021 and 2020, respectively.

Guaranteed notes issued for syndicated loans were both \$6,800,000 thousand as of December 31, 2021 and 2020.

To expand production capacity for operational needs, in May 2021, the board of directors of the Company resolved the project to construct new Hsinchu factory office building and multi-storey parking lot. The total amount of the construction is estimated at \$1.912 billion. The construction cost was \$23,138 thousand as of December 31, 2021.

28. OTHER ITEMS

Due to the global impact of the COVID-19 pandemic, governments of various countries around the world have successively implemented various epidemic prevention measures. The pandemic also led to the gradual transformation of the global consumption type. The Company benefited from the stay-at-home economy; the increase in operating revenue and gross profit from January 2021 to December 2021 was higher than the year in 2020; however, parts of the operating activities are still affected. The Company will continuously assess the impact of the outbreak on the Company's operations.

Based on the information available as of the balance sheet date, the Company considered the economic implications of the epidemic when making its critical accounting estimates, refer to Note 5 for the details.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 351,716	27.68	\$ 9,735,488
Non-monetary items			
Investments accounted for using the equity method			
USD	654,148	27.68	18,106,821
<u>Foreign currency liabilities</u>			
Monetary items			
USD	366,257	27.68	10,137,993

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 173,117	28.48	\$ 4,930,372
Non-monetary items			
Investments accounted for using the equity method			
USD	594,909	28.48	16,943,014
<u>Foreign currency liabilities</u>			
Monetary items			
USD	179,472	28.48	5,111,363

The Company's net realized and unrealized losses on foreign currency exchange were \$35,416 thousand and \$167,533 thousand for the years ended December 31, 2021 and 2020, respectively. It is impractical to disclose net gain or loss on foreign currency exchange by each significant foreign currency due to the variety of the foreign currency transactions and the functional currency.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments (Note 7)

b. Information on investees (Table 7)

- c. Information on investments in mainland China (Table 8)
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income and limit on the amount of investment in the mainland China area.
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
 - e) The highest balance, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
 - d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

31. SEGMENT INFORMATION

The Company has disclosed related segment information in accordance with IFRS 8 in the consolidated financial statements.

E INK HOLDINGS INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance (Note 1)	Ending Balance (Note 1)	Amount Actually Drawn (Note 1)	Interest Rate Intervals (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Aggregate Financing Limit (Note 2)
													Item	Value		
1	Hydis Technologies Co., Ltd.	YuanHan Materials Inc.	Other receivables	Yes	\$ 2,097,000 (US\$ 75,000 thousand)	\$ 1,384,000 (US\$ 50,000 thousand)	\$ 1,384,000 (US\$ 50,000 thousand)	1.23	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 3,980,018 (KRW 169,362,450 thousand)	\$ 3,980,018 (KRW 169,362,450 thousand)
2	YuanHan Materials Inc.	New Field e-Paper Co., Ltd.	Other receivables	Yes	484,950	483,760	483,760	1.20	Short-term financing	-	Working capital	-	-	-	866,200	3,464,798
3	PVI Global Limited	New Field e-Paper Co., Ltd.	Other receivables	Yes	503,280 (US\$ 18,000 thousand)	221,440 (US\$ 8,000 thousand)	221,440 (US\$ 8,000 thousand)	1.00	Short-term financing	-	Working capital	-	-	-	1,623,321 (US\$ 58,646 thousand)	6,493,229 (US\$ 234,582 thousand)
		YuanHan Materials Inc.	Other receivables	Yes	389,340 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	1.20	Short-term financing	-	Working capital	-	-	-	1,623,321 (US\$ 58,646 thousand)	6,493,229 (US\$ 234,582 thousand)
4	Tech Smart Logistics Ltd.	YuanHan Materials Inc.	Other receivables	Yes	389,340 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	1.20	Short-term financing	-	Working capital	-	-	-	411,961 (US\$ 14,883 thousand)	1,647,901 (US\$ 59,534 thousand)

Note 1: The amounts are translated at the exchange rate of US\$1=NT\$27.68, and KRW1=NT\$0.0235 on December 31, 2021, except the maximum balance that is translated at the highest exchange rate at the end of each month for the year.

Note 2: The aggregate and individual financing limits of Hydis Technologies Co., Ltd. shall not exceed 40% of the financing company's net equity per its latest financial statements. The aggregate and individual financing limits of YuanHan Materials Inc., PVI Global Limited and Tech Smart Logistics Ltd. shall not exceed 40% and 10%, respectively, of the financing company's net equity per its latest financial statements.

Note 3: The above intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsed/Guaranteed Party		Limit on Endorsement/ Guarantee Amount Provided to Each Endorsed/ Guaranteed Party (Note 1)	Maximum Balance for the Year (Note 2)	Ending Balance (Note 2)	Amount Actually Drawn (Note 2)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by Subsidiary	Endorsement/ Guarantee to Subsidiary in Mainland China
		Name	Relationship										
0	E Ink Holdings Inc.	E Ink Corporation	Subsidiary	\$ 8,791,791	\$ 1,198,470 (US\$ 42,000 thousand)	\$ 1,162,560 (US\$ 42,000 thousand)	\$ -	\$ -	3.31	\$ 35,167,166	Yes	No	No
		YuanHan Materials Inc.	Subsidiary	8,791,791	2,350,000	2,350,000	525,000	-	6.68	35,167,166	Yes	No	No
		Linfiny Corporation	Subsidiary	8,791,791	350,000	350,000	145,000	-	1.00	35,167,166	Yes	No	No
		New Field e-Paper Co., Ltd.	Subsidiary	8,791,791	200,000	200,000	-	-	0.57	35,167,166	Yes	No	No
1	Hydis Technologies Co., Ltd.	E Ink Holdings Inc.	Parent company	2,487,511 (KRW 105,851,531 thousand)	428,025 (US\$ 15,000 thousand)	968,800 (US\$ 35,000 thousand)	370,000	-	9.74	9,950,044 (KRW 423,406,126 thousand)	No	Yes	No

Note 1: The amount shall not exceed 25% of the net equity of the Company and the subsidiary, Hydis Technologies Co., Ltd.

Note 2: The amounts are translated at the exchange rate of US\$1=NT\$27.68, and KRW1=NT\$0.0235 on December 31, 2021, except the maximum balance is translated at the highest exchange rate of the end of each month for the year.

Note 3: The amount shall not exceed the net equity of the Company and the subsidiary, Hydis Technologies Co., Ltd.

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note	
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value		
E Ink Holdings Inc.	<u>Ordinary shares</u>								
	SinoPac Financial Holding Company Limited	Substantive related party Investor with significant influence over the Company	Financial assets at FVTOCI	119,522,461	\$ 1,930,288	1.06	\$ 1,930,288		
	YFY Inc.		Financial assets at FVTOCI	7,814,000	277,788	0.47	277,788		
	Ultra Chip, Inc.	-	Financial assets at FVTOCI	2,603,676	663,937	3.50	663,937		
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Company	Financial assets at FVTOCI	336,002	16,867	0.13	16,867		
	Mega Financial Holding Co., Ltd.		-	Financial assets at FVTOCI	8,190,000	291,155	0.06	291,155	
	Yuanta Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	12,175,000	308,027	0.10	308,027		
	Wistron Corporation	-	Financial assets at FVTOCI	9,296,000	270,978	0.32	270,978		
	Getac Technology Corporation	-	Financial assets at FVTOCI	2,674,000	148,942	2.17	148,942		
	Taiwan Cement Corporation	-	Financial assets at FVTOCI	5,768,000	276,864	0.09	276,864		
	Asia Electronic Material Co., Ltd.	-	Financial assets at FVTOCI	351,000	8,161	0.36	8,161		
	Taiflex Scientific Co., Ltd.	-	Financial assets at FVTOCI	241,000	11,447	0.12	11,447		
	IGNIS INNOVATION INC.	-	Financial assets at FVTPL - non-current	387,597	-	0.18	-		
		<u>Preferred shares</u>							
	Fubon Financial Holding Co., Ltd. (A)	-	Financial assets at FVTOCI	4,675,000	295,460	0.04	295,460		
	Cathay Financial Holding Co., Ltd. (A)	-	Financial assets at FVTOCI	2,354,000	148,067	0.02	148,067		
Taishin Financial Holding Co., Ltd. (E)	-	Financial assets at FVTOCI	2,293,000	121,758	0.02	121,758			
	<u>Convertible preferred shares</u>								
MICAREO INC.	-	Financial assets at FVTPL - non-current	6,000,000	-	14.69	-			
New Field e-Paper Co., Ltd.	<u>Ordinary shares</u>								
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	22,028,000	355,752	0.20	355,752		
	Jetbest Corporation		Financial assets at FVTOCI	278,000	7,395	0.85	7,395		
	Ventec International Group Co., Ltd.		Financial assets at FVTOCI	475,000	63,413	0.66	63,413		
	Wistron Corporation		Financial assets at FVTOCI	8,307,000	242,149	0.29	242,149		
Taiwan Cement Corporation	Financial assets at FVTOCI		1,650,000	79,200	0.03	79,200			

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YuanHan Materials Inc.	<u>Ordinary shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	214,864,329	\$ 3,470,059	1.90	\$ 3,470,059	
	YFY Inc.	Investor with significant influence over the parent company	Financial assets at FVTOCI	16,000	569	0.00	569	
	Netronix Inc.	-	Financial assets at FVTOCI	5,309,198	302,093	6.40	302,093	
	Fitipower Integrated Technology Inc.	-	Financial assets at FVTOCI	2,587,626	729,711	1.39	729,711	
	SES-imagotag	-	Financial assets at FVTOCI	866,666	2,041,227	5.50	2,041,227	
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the parent company	Financial assets at FVTOCI	688	35	0.00	35	
	Mega Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	4,650,000	165,307	0.03	165,307	
	Yuanta Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	8,893,000	224,993	0.07	224,993	
	Wistron Corporation	-	Financial assets at FVTOCI	9,270,000	270,220	0.32	270,220	
	Daxin Materials Corp.	-	Financial assets at FVTOCI	869,000	133,826	0.85	133,826	
	Getac Technology Corporation	-	Financial assets at FVTOCI	4,453,000	248,032	3.61	248,032	
	Zenitron Corporation	-	Financial assets at FVTOCI	4,249,000	147,865	1.99	147,865	
	Taiwan Cement Corporation	-	Financial assets at FVTOCI	3,137,000	150,576	0.05	150,576	
	Ushine Photonics Corporation	-	Financial assets at FVTOCI	3,297,179	69,735	14.09	69,735	
	Formolight Technologies, Inc.	-	Financial assets at FVTOCI	2,227,500	16,578	10.93	16,578	
	Echem Solutions Corp.	-	Financial assets at FVTOCI	742,820	17,725	0.93	17,725	
	eCrowd Media Inc.	-	Financial assets at FVTOCI	1,309,701	9,010	6.46	9,010	
	<u>Preferred shares</u>							
	Fubon Financial Holding Co., Ltd. (A)	-	Financial assets at FVTOCI	4,684,000	296,029	0.03	296,029	
	<u>Convertible preferred shares</u>							
	SigmaSense, LLC	-	Financial assets at FVTPL - non-current	72,916	121,099	2.05	121,099	
	<u>Convertible bonds</u>							
	Nuclera Nucleics Ltd.	-	Financial assets at FVTPL - non-current	-	258,153	-	258,153	
	<u>Straight corporate bonds</u>							
	FS KKR CAPITAL CORP	-	Financial assets at FVTOCI	2,000,000	58,765	-	58,765	
	NOMURA HOLDINGS INC.	-	Financial assets at FVTOCI	1,950,000	55,872	-	55,872	
<u>Mutual funds</u>								
BLACKSTONE REITS	-	Financial assets at FVTPL - non-current	8,449	299,297	-	299,297		
Millennium	-	Financial assets at FVTPL - non-current	1,011,939	27,837	-	27,837		

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Transcend Optronics (Yangzhou) Co., Ltd.	<u>Ordinary shares</u> Dalian DKE LCD Co., Ltd.	-	Financial assets at FVTOCI	837,000	RMB 14,377 thousand	2.73	RMB 14,377 thousand	
	Hanshow Technology Corporation	-	Financial assets at FVTOCI	2,880,000	RMB 40,174 thousand	0.76	RMB 40,174 thousand	
Rich Optronics (Yangzhou) Co., Ltd.	<u>Structured deposits</u> Bank of Industrial and Commercial - link structured deposits	-	Financial assets at FVTPL - current	-	RMB 22,182 thousand	-	RMB 22,182 thousand	
Hydis Technologies Co., Ltd.	<u>Ordinary shares</u> Hana Financial Group Inc.	-	Financial assets at FVTOCI	455,121	KRW 19,137,838 thousand	0.16	KRW 19,137,838 thousand	
	Solum Co., Ltd.	-	Financial assets at FVTOCI	840,990	KRW 18,880,226 thousand	1.68	KRW 18,880,226 thousand	
	KT&G Corporation	-	Financial assets at FVTOCI	290,618	KRW 22,958,822 thousand	0.23	KRW 22,958,822 thousand	
	LG Uplus Corp	-	Financial assets at FVTOCI	664,380	KRW 9,035,568 thousand	0.15	KRW 9,035,568 thousand	
	Samsung Card Co., Ltd.	-	Financial assets at FVTOCI	275,805	KRW 8,687,857 thousand	0.26	KRW 8,687,857 thousand	
	<u>Mutual funds</u> Term Liquidity Fund	-	Financial assets at FVTPL - non-current	95,558	KRW 12,159,926 thousand	-	KRW 12,159,926 thousand	
	<u>Perpetual bonds</u> JP Morgan Chase & Co.	-	Financial assets at FVTPL - non-current	48,500,000	KRW 57,996,592 thousand	-	KRW 57,996,592 thousand	
	Bank of America Corporation	-	Financial assets at FVTPL - non-current	37,900,000	KRW 45,586,435 thousand	-	KRW 45,586,435 thousand	
	<u>Straight corporate bonds</u> NOMURA HOLDINGS, INC.	-	Financial assets at FVTOCI	9,100,000	KRW 11,132,189 thousand	-	KRW 11,132,189 thousand	
	Standard Chartered PLC	-	Financial assets at FVTOCI	8,800,000	KRW 11,160,692 thousand	-	KRW 11,160,692 thousand	
BARCLAYS	-	Financial assets at FVTOCI	8,490,000	KRW 11,070,599 thousand	-	KRW 11,070,599 thousand		
Fubon Hyundai Life	-	Financial assets at amortized cost	2,200,000	KRW 22,008,211 thousand	-	KRW 22,008,211 thousand		

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

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments	Ending Balance	
					Units (In Thousands)	Amount	Units (In Thousands)	Amount	Units (In Thousands)	Prices	Carrying Amount	Gain on Disposal (Note 1)		Units (In Thousands)	Amount
Hydis Technologies Co., Ltd.	Perpetual bonds Bank of America Corporation	Financial assets at FVTPL - non-current	-	-	5,000,000	KRW 5,572,736 thousand	32,900,000	KRW 39,156,462 thousand	-	\$ -	\$ -	\$ -	KRW 857,237 thousand (Note 1)	37,900,000	KRW 45,586,435 thousand
	J.P. Morgan Chase & Co.	Financial assets at FVTPL - non-current	-	-	29,800,000	KRW 32,415,916 thousand	18,700,000	KRW 21,893,025 thousand	-	-	-	-	3,687,651 thousand (Note 1)	48,500,000	KRW 57,996,592 thousand
	Straight corporate bonds Fubon Hyundai Life	Financial assets at amortized cost - non-current	-	-	700,000	KRW 7,010,196 thousand	1,500,000	KRW 15,000,000 thousand	-	-	-	-	KRW (1,985) thousand (Note 1)	2,200,000	KRW 22,008,211 thousand
	Ordinary shares Hana Financial Group	FVTOCI - non-current	-	-	-	-	455,121	KRW 19,981,952 thousand	-	-	-	-	KRW (844,114) thousand (Note 1)	455,121	KRW 19,137,838 thousand
	SOLUM CO., LTD.	FVTOCI - non-current	-	-	-	-	840,990	KRW 20,001,494 thousand	-	-	-	-	KRW (1,121,268) thousand (Note 1)	840,990	KRW 18,880,226 thousand
	KT&G Corporation	FVTOCI - non-current	-	-	-	-	290,618	KRW 24,974,146 thousand	-	-	-	-	KRW (2,015,324) thousand (Note 1)	290,618	KRW 22,958,822 thousand
Transcend Optronics (Yangzhou) Co., Ltd.	Principal guaranteed wealth investment products	Financial assets at amortized cost - current	Bank of Nanjing	-	-	RMB 90,000 thousand	-	-	RMB 91,387 thousand	RMB 90,000 thousand	RMB 1,387 thousand	-	-	-	
	Principal guaranteed with floating profit structured deposits	Financial assets at FVTPL - current	Bank of Nanjing	-	-	RMB 241,658 thousand	-	RMB 170,000 thousand	RMB 414,050 thousand	RMB 410,000 thousand	RMB 4,050 thousand	-	-	-	
	Principal guaranteed with floating profit structured deposits	Financial assets at FVTPL - current	Bank of Jiansu	-	-	-	-	RMB 160,000 thousand	RMB 160,928 thousand	RMB 160,000 thousand	RMB 928 thousand	-	-	-	
E Ink Corporation	Ordinary shares Nuclera Nucleics Ltd. (Note 2)	Investment accounted for using the equity method	Nuclera Nucleics Ltd.	-	-	-	1,107,094	US\$ 25,691 thousand (Note 3)	-	-	-	US\$ (3,641) thousand (Note 1)	1,107,094	US\$ 22,050 thousand	

Note 1: Included in interest income, net gain (loss) on financial assets and liabilities at FVTPL and loss from investments in associates accounted for using the equity method.

Note 2: Refer to Note 14 for the subsidiary E Ink Corporation's use of its microfluidic technology (including related equipment and inventory, etc. in the amount of approximately US\$1,909 thousand) to exchange for Nuclera Nucleics Ltd.'s 26.5% equity share.

Note 3: Included related acquisition cost.

E INK HOLDINGS INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Sale	\$ (3,992,846)	22	By agreements	\$ -	-	\$ 1,495,949	25	
	E Ink Corporation	Subsidiary	Purchase	5,727,661	40	By agreements	-	-	(1,626,053)	(24)	
	YuanHan Materials Inc.	Subsidiary	Sale	(1,944,678)	11	By agreements	-	-	282,228	5	
	YuanHan Materials Inc.	Subsidiary	Purchase	572,211	4	By agreements	-	-	(49,064)	(1)	
	Linfiny Corporation	Subsidiary	Purchase	148,818	1	By agreements	-	-	(18,216)	-	
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Purchase	1,533,252	11	By agreements	-	-	(5,003,624)	(74)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	699,539	5	By agreements	-	-	-	-	
YuanHan Materials Inc.	E Ink Holdings Inc.	Parent company	Sale	(572,211)	(14)	By agreements	-	-	49,064	94	
	E Ink Holdings Inc.	Parent company	Purchase	1,944,678	76	By agreements	-	-	(282,228)	(100)	
Linfiny Corporation	E Ink Holdings Inc.	Parent company	Sale	(148,818)	(98)	By agreements	-	-	18,216	92	
Prime View Communications Ltd.	E Ink Holdings Inc.	Parent company	Purchase	3,992,846	100	By agreements	-	-	(1,495,949)	(100)	
E Ink Corporation	E Ink Holdings Inc.	Parent company	Sale	(5,727,661)	(100)	By agreements	-	-	1,626,053	98	
	E Ink California, LLC	Subsidiary	Purchase	553,979	15	By agreements	-	-	(307,992)	(56)	
E Ink California, LLC	E Ink Corporation	Parent company	Sale	(553,979)	(100)	By agreements	-	-	307,992	100	
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	Sale	(1,533,252)	(100)	By agreements	-	-	5,003,624	100	

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

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

E INK HOLDINGS INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amount Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	\$ 1,495,949	3.38	\$ -	-	\$ 287,740	\$ -
	YuanHan Materials Inc.	Subsidiary	282,228	10.50	-	-	94,370	-
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	3,848,410	(Note 1)	82,244	Collected	1,521,925	-
	E Ink Corporation	Subsidiary	243,728	0.20	11,857	In the process of collection	2,596	-
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	5,003,624	(Note 1)	835,145	Collected	2,108,284	-
E Ink Corporation	E Ink Holdings Inc.	Parent company	1,626,053	4.93	1,162,686	In the process of collection	593,406	-
E Ink California, LLC	E Ink Corporation	Parent company	307,992	1.46	131,626	In the process of collection	43,858	-

Note 1: Other receivables from materials delivered to subcontractors.

Note 2: The above intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of Investee	Share of Profit (Loss) of Investee	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
E Ink Holdings Inc.	PVI Global Limited	British Virgin Islands	Investment	\$ 3,360,434	\$ 3,360,434	108,413,176	100.00	\$ 16,233,100	\$ 2,078,769	\$ 2,078,769	(Note)
	New Field e-Paper Co., Ltd.	Taoyuan, Taiwan	Wholesale and sale of electronics parts	6,394,455	6,394,455	671,032,318	100.00	5,497,393	297,957	297,957	(Note)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	4,911,303	4,911,303	1,034	45.31	4,239,021	1,454,012	213,332	(Note)
	YuanHan Materials Inc.	Taipei, Taiwan	Research, development and sale of electronic parts and electronic ink	6,420,230	6,420,230	183,819,268	100.00	8,642,719	1,627,642	1,627,884	(Note)
	Dream Universe Ltd.	Mauritius	Trading	128,710	128,710	4,050,000	100.00	349,001	(79)	(79)	(Note)
	Prime View Communications Ltd.	Hong Kong	Trading	18,988	18,988	3,570,000	100.00	(33,896)	(30,628)	(30,628)	(Note)
	Enttek Co., Ltd.	Taichung, Taiwan	Manufacture and sale of consumer audio-visual systems	34,547	34,547	2,203,161	47.07	-	-	-	Under liquidation
	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	49,267	49,267	1,550,000	0.09	3,708	207,461	187	(Note)
	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	16,800	16,800	1,680,000	4.00	1,206	9,844	394	(Note)
	Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	6,597	6,597	223,655	2.40	1,093	(78,096)	(1,013)	
	E Ink Japan Inc.	Tokyo, Japan	Development of electronic ink products	15,065	15,065	200	100.00	16,492	3,830	3,830	(Note)
New Field e-Paper Co., Ltd.	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	4,865,850	4,865,850	1,748,251,748	99.91	4,116,045	207,461	207,275	(Note)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	1,618,500	1,618,500	294	12.88	1,205,001	1,454,012	60,643	(Note)
YuanHan Materials Inc.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	323,400	323,400	32,340,000	77.00	23,213	9,844	7,580	(Note)
	Yuen Foong Yu Biotech Co., Ltd.	Taipei, Taiwan	Cultivation, processing and sale of agriculture and restaurant management	36,000	36,000	3,600,000	36.00	9,448	31,416	8,446	
	Kyoritsu Optronics Co., Ltd.,	Taipei, Taiwan	Technology development, transfer and licensing of flat panels	18,860	18,860	1,050,000	25.65	-	-	-	
Linfiny Corporation	Linfiny Japan Inc.	Tokyo, Japan	Research and development of electronic ink	11,088	11,088	4,000	100.00	23,047	1,204	1,204	(Note)
E Ink Corporation	E Ink California, LLC	California, USA	Research, development and sale of electronic ink	US\$ 29,100 thousand	US\$ 29,100 thousand	27,400,000	100.00	US\$ 33,431 thousand	US\$ 3,697 thousand	US\$ 1,651 thousand	(Note)
	Nuclera Nucleics Ltd.	Cambridge, UK	Protein, gene synthesis and digital microfluidics	US\$ 25,691 thousand	-	1,107,094	26.50	US\$ 22,050 thousand	US\$ (12,540) thousand	US\$ (3,323) thousand	
Tech Smart Logistics Ltd.	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	US\$ 152,875 thousand	US\$ 152,875 thousand	954	41.81	US\$ 133,017 thousand	US\$ 52,038 thousand	US\$ 7,391 thousand	(Note)
PVI Global Limited	PVI International Corp.	British Virgin Islands	Trading	US\$ 169,300 thousand	US\$ 160,300 thousand	169,300,000	100.00	US\$ 182,823 thousand	US\$ 32,001 thousand	US\$ 32,001 thousand	(Note)
	Dream Pacific International Limited	British Virgin Islands	Investment	US\$ 1,000 thousand	US\$ 1,000 thousand	26,000,000	100.00	US\$ 334,291 thousand	US\$ 42,202 thousand	US\$ 42,202 thousand	(Note)
	Ruby Lustre Ltd.	British Virgin Islands	Investment	US\$ 30,000 thousand	US\$ 30,000 thousand	30,000,000	100.00	US\$ 28,515 thousand	US\$ 308 thousand	US\$ 308 thousand	(Note)
	North Diamond International Co., Ltd.	British Virgin Islands	Investment	US\$ 1,750 thousand	US\$ 1,750 thousand	1,750,000	35.00	-	-	-	
	Rock Pearl International Corp.	British Virgin Islands	Investment	US\$ 1,540 thousand	US\$ 1,540 thousand	1,540,000	35.00	-	US\$ 8 thousand	US\$ 3 thousand	
Dream Pacific International Limited	Hydis Technologies Co., Ltd.	South Korea	Research, development and licensing of monitors	US\$ 27,612 thousand	US\$ 27,612 thousand	3,783,265	94.73	US\$ 339,810 thousand	US\$ 40,655 thousand	US\$ 39,631 thousand	(Note)
Hydis Technologies Co., Ltd.	Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	KRW 2,942,500 thousand	KRW 2,942,500 thousand	2,500,000	26.79	484,213 thousand	KRW(3,107,540) thousand	KRW (832,417) thousand	

Note: All intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Product	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 1)	Net Income (Loss) of Investee (Note 2)	Direct or Indirect Percentage of Ownership (%)	Share of Profit (Loss) of Investee (Notes 2 and 3)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Transcend Optonics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	\$ 4,686,224 (US\$ 169,300 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	\$ 3,261,950 (US\$ 117,845 thousand)	\$ -	\$ -	\$ 3,261,950 (US\$ 117,845 thousand)	\$ 913,822 (US\$ 32,626 thousand)	100.00	\$ 896,428 (US\$ 32,005 thousand)	\$ 5,054,423 (US\$ 182,602 thousand)	\$ -
Rich Optonics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	830,400 (US\$ 30,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	830,400 (US\$ 30,000 thousand)	-	-	830,400 (US\$ 30,000 thousand)	8,627 (US\$ 308 thousand)	100.00	8,627 (US\$ 308 thousand)	789,295 (US\$ 28,515 thousand)	-
Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	1,022,250 (US\$ 36,931 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	(13,108) (US\$ (468) thousand)	100.00	(13,108) (US\$ (468) thousand)	810,775 (US\$ 29,291 thousand)	-
Yangzhou Huaxia Integrated O/E System Co., Ltd. (liquidated)	Manufacture and sale of LED products	-	The Company indirectly owns the investee through an investment company registered in a third region	38,475 (US\$ 1,390 thousand)	-	-	38,475 (US\$ 1,390 thousand)	980 (US\$ 35 thousand)	100.00	980 (US\$ 35 thousand)	-	-
Dihao Electronics (Yangzhou) Co., Ltd. (Under liquidation)	Assembly of LCD backlight board display modules	138,400 (US\$ 5,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	48,440 (US\$ 1,750 thousand)	-	-	48,440 (US\$ 1,750 thousand)	-	35.00	-	-	-
NTX Electronics Yangzhou Co., Ltd.	Manufacture and sale of flat panels	173,659 (RMB 40,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	9,065 (RMB 2,088 thousand)	49.00	4,399 (RMB 1,023 thousand)	101,753 (RMB 23,437 thousand)	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,179,265 (US\$ 150,985 thousand)	\$ 8,141,657 (US\$ 294,135 thousand)	\$ 26,297,496

Note 1: The amounts are translated at the exchange rate of US\$1=NT\$27.68 and RMB1=NT\$4.34148 on December 31, 2021.

Note 2: The amounts are translated at the average exchange rate of US\$1=NT\$28.009 and RMB1=NT\$4.34167 for the year ended December 31, 2021.

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

Note 4: Refer to Tables 5, 6 and 9, for information on the prices, payment terms and unrealized profit or loss of significant transactions with investee companies in mainland China.

Note 5: The above intercompany transactions have been eliminated upon consolidation, except transactions with NTX Electronics Yangzhou Co., Ltd. and Dihao Electronics (Yangzhou) Co., Ltd.

(Concluded)

TABLE 9**E INK HOLDINGS INC.****INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
YFY Inc.	133,472,904	11.70
S.C. Ho	80,434,300	7.05

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

E INK HOLDINGS INC.

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E INK HOLDINGS INC.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Period	Rate	Amount
Cash on hand (Note)		-	<u>\$ 183</u>
Cash in banks			
Checking accounts		-	15
Demand deposits (Note)		0.01-0.2%	<u>2,420,314</u>
			<u>2,420,329</u>
			<u>\$ 2,420,512</u>

Note: Including US\$70,248 thousand and JPY52,727 thousand, which are translated at the exchange rate of US\$1=NT\$27.68 and JPY1=NT\$0.2405, respectively.

E INK HOLDINGS INC.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Client A	\$ 660,752
Client B	472,701
Client C	234,796
Client D	189,400
Others (Note)	<u>243,032</u>
	1,800,681
Less: Loss allowance	<u>(802)</u>
	<u>\$ 1,799,879</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

E INK HOLDINGS INC.**STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 1,126,273	\$ 1,678,739
Semi-finished goods	374,536	372,526
Work in progress	254,078	259,036
Raw materials	<u>2,439,520</u>	<u>2,975,869</u>
	4,194,407	<u>\$ 5,286,170</u>
Less: Allowance for write-downs of inventories (Note)	<u>862,806</u>	
	<u>\$ 3,331,601</u>	

Note: Including allowance for obsolete inventories.

E INK HOLDINGS INC.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars, Except Unit Price)

Type and Name of Marketable Securities	Balance, January 1, 2021		Increase in 2021		Decrease in 2021 (Note 2)		Unrealized Gain (Loss) on Financial Assets (Note 1)	Fair Value on December 31, 2021 (Note 3)			
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Percentage of Ownership (%)	Unit Price (NT\$)	Amount
Ordinary Shares											
SinoPac Financial Holding Company Limited	112,701,461	\$ 1,290,431	6,821,000	\$ 76,253	-	\$ -	\$ 563,604	119,522,461	1.06	16.15	\$ 1,930,288
YFY Inc.	7,814,000	230,123	-	-	-	-	47,665	7,814,000	0.47	35.55	277,788
Ultra Chip, Inc.	2,703,676	112,338	-	-	(100,000)	(20,354)	571,953	2,603,676	3.5	255.00	663,937
Yuen Fong Yu Consumer Products Co., Ltd.	336,002	15,540	-	-	-	-	1,327	336,002	0.13	50.20	16,867
Mega Financial Holding Company Limited	-	-	8,190,000	236,792	-	-	54,363	8,190,000	0.06	35.55	291,155
Yuanta Financial Holding Company Limited	-	-	12,175,000	255,813	-	-	52,214	12,175,000	0.1	25.30	308,027
WISTRON Corporation	-	-	9,296,000	289,912	-	-	(18,934)	9,296,000	0.32	29.15	270,978
Getac Technology Corporation	-	-	2,674,000	165,883	-	-	(16,941)	2,674,000	2.17	55.70	148,942
Taiwan Cement Corporation	-	-	5,768,000	284,567	-	-	(7,703)	5,768,000	0.09	48.00	276,864
Fubon Financial Holding Company Limited											
(a)	-	-	4,675,000	289,940	-	-	5,520	4,675,000	0.04	63.20	295,460
Cathay Financial Holding Company Limited											
(a)	-	-	2,354,000	145,518	-	-	2,549	2,354,000	0.02	62.90	148,067
Taishin Financial Holding Company Limited											
(e)	-	-	2,293,000	121,141	-	-	617	2,293,000	0.02	53.10	121,758
Asia Electronic Material Co., Ltd.	-	-	351,000	7,266	-	-	895	351,000	0.36	23.25	8,161
Taiflex Scientific Co., Ltd.	-	-	241,000	11,167	-	-	280	241,000	0.12	47.50	11,447
		<u>\$ 1,648,432</u>		<u>\$ 1,884,252</u>		<u>\$ (20,354)</u>	<u>\$ 1,257,409</u>				<u>\$ 4,769,739</u>

Note 1: Included in unrealized gain (loss) on financial assets at FVTOCI.

Note 2: Including in unrealized gain/loss on financial assets at FVTOCI transferred to retained earnings due to disposal was \$19,378 thousand.

Note 3: Calculated based on the closing price on December 31, 2021.

E INK HOLDINGS INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2021		Increase (Decrease) in 2021 (Note 1)		Share of Profit (Loss) of Subsidiaries Accounted for Using the Equity Method (Note 2)	Equity Adjustments (Note 3)	Balance, December 31, 2021		
	Shares	Amount	Shares	Amount			Shares	Percentage of Ownership (%)	Amount
Investment in subsidiaries									
PVI Global Limited	108,413,176	\$ 15,387,931	-	\$ -	\$ 2,078,769	\$ (1,233,600)	108,413,176	100.00	\$ 16,233,100
YuanHan Materials Inc.	183,819,268	5,446,007	-	(786,152)	1,627,884	2,354,980	183,819,268	100.00	8,642,719
New Field e-Paper Co., Ltd.	671,032,318	5,112,044	-	-	297,957	87,392	671,032,318	100.00	5,497,393
E Ink Corporation	1,034	4,036,496	-	-	213,332	(10,807)	1,034	45.31	4,239,021
Dream Universe Ltd.	4,050,000	359,170	-	-	(79)	(10,090)	4,050,000	100.00	349,001
E Ink Japan Inc.	200	14,896	-	-	3,830	(2,234)	200	100.00	16,492
Tech Smart Logistics Ltd.	1,550,000	3,602	-	-	187	(81)	1,550,000	0.09	3,708
Linfiny Corporation	1,680,000	944	-	-	394	(132)	1,680,000	4.00	1,206
Entte K Co., Ltd. (under liquidation)	2,203,161	-	-	-	-	-	2,203,161	47.07	-
		<u>30,361,090</u>		<u>(786,152)</u>	<u>4,222,274</u>	<u>1,185,428</u>			<u>34,982,640</u>
Investment in associate									
Plastic Logic HK Limited	223,655	1,888	-	-	(1,013)	218	223,655	2.4	1,093
		<u>30,362,978</u>		<u>(786,152)</u>	<u>4,221,261</u>	<u>1,185,646</u>			<u>34,983,733</u>
Investment accounted for using the equity method									
Prime View Communications Ltd. (Note 4)	3,570,000	(3,859)	-	-	(30,628)	591	3,570,000	100.00	(33,896)
		<u>\$ 30,359,119</u>		<u>\$ (786,152)</u>	<u>\$ 4,190,633</u>	<u>\$ 1,186,237</u>			<u>\$ 34,949,837</u>

Note 1: Dividends paid.

Note 2: The amounts were calculated based on audited financial statements of the corresponding year.

Note 3: Including recognition of adjustments that have not been recognized based on exchange differences on translating the financial statements of foreign operations, remeasurement of defined plans, and unrealized gain (loss) on financial assets at FVTOCI, etc.

Note 4: As of December 31, 2021 and 2020, the investment in Prime View Communications Ltd. was all recorded in other non-current liabilities due to the credit balance of \$3,859 thousand.

E INK HOLDINGS INC.

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Item	Land	Other Equipment	Total
Cost			
Balance at January 1, 2021	\$ 863,218	\$ 4,113	\$ 867,331
Additions	6,281	5,250	11,531
Disposals	<u>-</u>	<u>(2,793)</u>	<u>(2,793)</u>
Balance at December 31, 2021	<u>\$ 869,499</u>	<u>\$ 6,570</u>	<u>\$ 876,069</u>
Accumulated depreciation			
Balance at January 1, 2021	\$ 49,760	\$ 2,304	\$ 52,064
Depreciation expenses	26,624	2,243	28,867
Disposals	<u>-</u>	<u>(2,627)</u>	<u>(2,627)</u>
Balance at December 31, 2021	<u>\$ 76,384</u>	<u>\$ 1,920</u>	<u>\$ 78,304</u>
Carrying amounts at December 31, 2021	<u>\$ 793,115</u>	<u>\$ 4,650</u>	<u>\$ 797,765</u>

E INK HOLDINGS INC.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Type of Loan and Creditor	Contract Period	Interest Rate (%)	Amount	Loan Commitments
<u>Short-term unsecured borrowings</u>				
Yuanta Commercial Bank	2021.11-2022.02	0.88	\$ 200,000	\$ 200,000
Jin Sun International Bank	2021.10-2022.03	0.86	250,000	300,000
Fubon Commercial Bank Co., Ltd.	2021.12-2022.03	0.77	100,000	450,000
Taishin International Bank	2021.12-2022.01	0.89	95,000	800,000
E.Sun Commercial Bank., Ltd.	2021.12-2022.01	0.87	50,000	150,000
Citibank Taiwan Ltd.	2021.11-2022.03	0.81-0.96	595,200	775,040
DBS Bank Ltd.	2021.10-2022.03	0.85	300,000	400,000
Taiwan Shin Kong Commercial Bank Co., Ltd.	2021.12-2022.01	0.85	<u>250,000</u>	<u>400,000</u>
			1,840,200	3,475,040
<u>Short-term secured borrowings (Note)</u>				
Citibank Taiwan Ltd.	2021.01-2022.01	0.69	<u>370,000</u>	<u>913,440</u>
			<u>\$ 2,210,200</u>	<u>\$ 4,388,480</u>

Note: Secured borrowings endorsed and guaranteed by the subsidiaries Hydis Technologies Co., Ltd. for the Company.

E INK HOLDINGS INC.

STATEMENT OF SHORT-TERM BILLS PAYABLE
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Guarantee Agency	Issuance Period	Discount Rate (%)	Amount of Commercial Principal			Mortgage or Guarantee
			Amount of Issuance	Unamortized Discounts in Short-term Bills Payable	Carrying Amount	
Dah Chung Bills Finance Corp.	2021.12.23-2022.01.20	0.60	\$ 150,000	\$ 47	\$ 149,953	-
Ta Ching Bills Finance Corporation	2021.11.11-2022.01.16	0.41-0.65	1,150,000	77	1,149,923	-
China Bills Finance Corporation	2021.11.11-2022.01.20	0.38-0.40	1,200,000	94	1,199,906	-
Taiwan Finance Corporation	2021.12.08-2022.01.27	0.64	200,000	91	199,909	-
Mega Bills Finance Co., Ltd.	2021.11.11-2022.01.06	0.41-0.66	<u>1,600,000</u>	<u>93</u>	<u>1,599,907</u>	-
			<u>\$ 4,300,000</u>	<u>\$ 402</u>	<u>\$ 4,299,598</u>	

E INK HOLDINGS INC.

STATEMENT OF CONTRACT LIABILITIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Otherwise)

Vendor Name	Amount
Client A	\$ 1,263,403
Client B	231,441
Client C	213,542
Client D	212,717
Client E	164,477
Others (Note 2)	<u>534,716</u>
	<u>\$ 2,620,296</u>

Note 1: The contract liabilities are advance sales receipts and royalty.

Note 2: The amount of contract liabilities due to each individual under “Others” does not exceed 5% of total account balance.

E INK HOLDINGS INC.

STATEMENT OF NOTES AND ACCOUNTS PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Vendor A	\$ 577,258
Vendor B	492,035
Vendor C	210,549
Vendor D	159,112
Vendor E	158,089
Others (Note)	<u>915,613</u>
	<u>\$ 2,512,656</u>

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

E INK HOLDINGS INC.

STATEMENT OF LONG-TERM LOANS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Creditor	Contract Period	xxx	Interest Rate (%)	Borrowing Amount			Guarantee and Pledge
				Current	Non-current	Total	
Syndicated loans							
Mega Bank	2021.09-2022.03 (Note)	Principal repayable on maturity, interest payable on a monthly basis	1.00	\$ -	\$ 470,560	\$ 470,560	-
Less: Arrangement fees of syndicated bank loans				-	(11,220)	(11,220)	-
				-	459,340	459,340	
Credit loans							
CTBC Bank	2021.08-2025.08	Principal repayable on maturity, interest payable on a monthly basis	0.70	-	128,000	128,000	-
Taishin Bank	2021.12-2026.12	Principal repayable on maturity, interest payable on a monthly basis	0.65	-	50,000	50,000	-
Mega Bank	2020.12-2025.12	Principal repayable on maturity, interest payable on a monthly basis	0.65	-	110,000	110,000	-
KGI Bank	2020.08-2025.05	Principal repayable on maturity, interest payable on a monthly basis	0.80	-	100,000	100,000	-
				-	388,000	388,000	
				\$ -	\$ 847,340	\$ 847,340	

Note: The amount of the syndicated loans contract will be used cyclically during the period.

E INK HOLDINGS INC.

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Lease Term	Discount Rate (%)	Amount
Land	2012.11-2053.12	0.56-1.56	\$ 809,430
Other equipment	2018.07-2024.04	0.60-0.61	<u>4,654</u>
			814,084
Less: Current portion			<u>(26,462)</u>
Non-current portion			<u>\$ 787,622</u>

E INK HOLDINGS INC.**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Shipping Units (In Thousands)	Amount
Revenue from sale of goods (Note)		
Consumer electronics	11,600	\$ 12,639,313
Internet of Things applications	18,514	6,384,937
Others	707	<u>30,731</u>
		19,054,981
Less: Sales returns and discounts		<u>986,401</u>
Operating revenue, net		<u>\$ 18,068,580</u>

Note: The Company mainly researches, develops, and manufactures electronic paper products. With the diversification of product applications, the business decision of the Company focused on the application categories and development of electronic paper products. Therefore, to use the application category of product to disclose the type of revenue is more in line with the development strategy of the Company devoted to applications of electronic paper products and provides more relevant information.

E INK HOLDINGS INC.

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials balance, beginning of year	\$ 1,110,835
Add: Raw materials purchased	14,224,619
Less: Sales of raw materials	(545,453)
Transferred to other accounts	(309,006)
Raw materials, end of year	<u>(2,439,520)</u>
Usage of direct raw materials	12,041,475
Direct labor	52,351
Manufacturing expenses	<u>2,308,736</u>
Manufacturing cost	14,402,562
Add: Work in progress and semi-finished goods balance, beginning of year	438,968
Semi-finished goods purchased	47,177
Less: Sales of semi-finished goods	(1,286,625)
Transferred to other accounts	(88,448)
Work in progress and semi-finished goods balance, end of year	<u>(628,614)</u>
Cost of finished goods	12,885,020
Add: Finished goods balance, beginning of year	991,772
Less: Transferred to other accounts	(19,470)
Finished goods balance, end of year	<u>(1,126,273)</u>
Cost of finished goods sold	12,731,049
Add: Cost of raw materials sold	545,453
Cost of semi-finished goods sold	1,286,625
Loss on idle capacity	326,212
Loss on scrapped inventories	234,898
Inventory loss	288
Write-downs of inventories	<u>8,975</u>
Total operating costs	<u>\$ 15,133,500</u>

E INK HOLDINGS INC.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Employee benefits expense	\$ 261,663	\$ 473,387	\$ 495,434	\$ 1,230,484
Professional service fee	46,637	44,041	190,071	280,749
Material expense	9,967	14,114	210,266	234,347
Depreciation expense	1,383	44,732	102,507	148,622
Others	<u>36,189</u>	<u>179,758</u>	<u>96,866</u>	<u>312,813</u>
	<u>\$ 355,839</u>	<u>\$ 756,032</u>	<u>\$ 1,095,144</u>	<u>\$ 2,207,015</u>

E INK HOLDINGS INC.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Salaries	\$ 279,456	\$ 1,059,930	\$ 1,339,386	\$ 170,900	\$ 900,836	\$ 1,071,736
Labor and health insurance	22,786	64,680	87,466	14,908	58,477	73,385
Pension	10,473	41,423	51,896	7,066	37,868	44,934
Remuneration of directors	-	26,080	26,080	-	21,081	21,081
Others	18,412	38,371	56,783	11,999	35,945	47,944
	<u>\$ 331,127</u>	<u>\$ 1,230,484</u>	<u>\$ 1,561,611</u>	<u>\$ 204,873</u>	<u>\$ 1,054,207</u>	<u>\$ 1,259,080</u>
Depreciation	<u>\$ 106,756</u>	<u>\$ 148,622</u>	<u>\$ 255,378</u>	<u>\$ 121,166</u>	<u>\$ 125,251</u>	<u>\$ 246,417</u>
Amortization	<u>\$ 4</u>	<u>\$ 51,383</u>	<u>\$ 51,387</u>	<u>\$ -</u>	<u>\$ 50,658</u>	<u>\$ 50,658</u>

Note 1: For the years ended December 31, 2021 and 2020, the Company had 977 and 881 employees on average, respectively, among which were 5 and 7 non-employee directors, respectively.

- Note 2: a. For the years ended December 31, 2021 and 2020, the average employee benefits were \$1,580 thousand and \$1,416 thousand, respectively.
- b. For the years ended December 31, 2021 and 2020, the average employee salaries were \$1,378 thousand and \$1,226 thousand, respectively.
- c. The change in average employee salaries was adjusted by 12.4%.

Note 3: The Company did not have supervisors for the year ended December 31, 2021 and 2020. Therefore, there was no remuneration to supervisors.

- Note 4: a. Directors

According to the Articles of Association, remuneration for directors shall be paid in cash. The method and ratio for the payment of remuneration shall be determined by the board of directors subject to the attendance of more than 2/3 of directors and the consent of more than half of the directors present, and reported to the shareholders' meeting.

- b. Management personnel and employees

According to the Articles of Incorporation of the Company, the remuneration of directors shall be paid in cash. The method of payment and the ratio of remuneration to the directors shall be determined by the board in a session with the presence of at least two-thirds of the directors and a simple majority of the directors in session, and reported to the shareholder's meeting.

According to the Company's salary structure, the remuneration policies of management personnel and employees are composed of fixed remuneration (base salary, meal allowance, duty allowance) and floating remuneration (performance bonus, share compensation), etc. The Company pays the remuneration based on the authority and responsibility and the contribution to the Company. Apart from the overall operation performance and the future development of industry, the payment of remuneration is also subject to the personal performance and contribution.

Where the Company made a profit in the fiscal year, refer to Note 18(d) for further regulations in the Articles of Incorporation.

In conclusion, the remuneration policies for directors, management personnel, and employees had considered the operation performance of the year and future risk, to achieve the balance between corporate sustainability and risk management.

E INK HOLDINGS INC.

2021 Annual Report

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