



E INK HOLDINGS INC. 2020 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.



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Stock Transfer Agent

The company's common stock is listed on the Taiwan's OTC/TPEX Securities Market.

(Ticker: 8069)

Common Share Transfer Agent & Registrar: SinoPac Securities

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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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I. Letter to Shareholders

To all shareholders:

2020 Business Report

The COVID-19 pandemic caused serious difficulties and challenges for the global economy and supply chain in 2020. E Ink adopted a strategy of cautious response and advanced planning that ensured steady development and continued growth amidst the pandemic. E Ink reported consolidated revenues of NT\$15.36 billion in 2020, the highest in seven years. The operating profit margin of 12.0% and profit margin of 23.4% were also the highest in nine years. A net income after tax of NT\$3.6 billion and earnings per share (EPS) of NT\$3.18 represented an outstanding performance for the year.

The impact of COVID-19 in 2020 resulted in many countries imposing lockdowns or border closures that crippled transportation, logistics, warehousing and retail. Flow-on effects include frequent shortages of raw materials and workers and delivery problems downstream. Fortunately for E Ink, our preparations on production capacity, manpower and supply chain came through. We were able to meet customer demand through a tremendous show of team effort by all employees despite the tough conditions.

Looking back now on business development in 2020, COVID-19 created a boom in the stay-at-home economy and online education that generated growth in the eReader and eNote businesses. The explosive growth of new retail due to COVID-19 meant demand for Electronic Shelf Label (ESL) continued to grow as well. The launch of Color ePaper in 2020 should see new color applications begin to take off in 2021. In addition to monitoring how the post-pandemic era will affect business development in the future, E Ink is continuing to release new products, cultivate customers, and work with partners to develop product ecosystems.

Key product developments in 2020 included the introduction of our E Ink Kaleido™ Print Color ePaper technology for color eReader and color ePaper smartphones to meet the demand from the color digital reading market. After Popular Science magazine named Print Color ePaper one of “The 100 Greatest Innovations of 2020,” E Ink refined Print Color ePaper technology even further to release ePaper with even better color performance and in larger sizes in response to the product design of ecosystem partners and market demand. Large color eReaders and eNote products will help sustain business growth by triggering a new wave of upgrades.

In terms of retail applications, many cities around the world went into lockdown to contain COVID-19. A significant reduction in the number of retail workers made ESL more attractive to retailers due to its dynamic display function and the ability to synchronize online and offline promotional pricing changes. The manpower savings from not having to frequently change printed labels manually represented significant operational benefits for retailers. COVID-19 gave new impetus to new retail business models that have been brewing for a long time. The swift introduction of ESL by retailers injected new growth into retail applications. Retailers are also actively introducing more colors into different retail application scenarios.

In terms of Internet-of-Things (IoT) applications, Signage took advantage of ePaper’s ultra-low power consumption, easy deployment, and the ability to continue displaying without power. They can be quickly installed in key areas to provide real-time updates during the pandemic and continue to display important information during temporary power outages. E Ink will work with ecosystem partners to develop the market for smart city and smart healthcare applications as well as color signage applications.

At the same time, E Ink’s continued refinement of our R&D capability garnered public recognition in the form of science and technology awards. In 2020, the Advanced Color ePaper Display System (E Ink Gallery™) was presented with a “Gold Award” at the 29th Taiwan Excellence Awards. The E Ink MeeNote (Mobile Expandable ePaper Notebook) developed by E Ink was also presented with the “Hsinchu Science Park Innovation Product Award.” We also delivered a strong sustainability performance based on the ESG (Environment, Society, Governance) principles. E Ink was recognized for

the 4th year at the Taiwan Corporate Sustainability Awards, receiving the “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.”

2021 Business Focus

The impact of COVID-19 will continue to be felt in 2021. E Ink will maintain a high level of alertness in our epidemic prevention efforts to ensure the continuity of our operations. We will also work closely with our customers and supply chain to ensure that we have the resources to maintain production and punctual delivery. In addition, E Ink is responding to the highly volatile global economic environment by leveraging its solid business foundations to boost business development, increase investment in R&D, and improve our operational efficiency.

Business development will continue to focus on the markets for eReader, eNote, retail and IoT applications. These include the development of more applications for color ePaper as well as working actively with partners to expand the ePaper ecosystem. Future trends in eReader development include color, large size and multi-layered architecture. A writing function will also be added to enhance product functionality and satisfy the market demand for digital reading and writing. ESL for retail applications will expand upstream from module sales to sales of FLM film in order to recruit more ecosystem module partners. This will help meet the demand from the growing market and lead to the development of even more diverse products. For the IoT business, the trend towards larger print color ePaper will see an increase in different signage product combinations targeted at different customer requirements. We will continue to strengthen our position in the healthcare and transportation sectors. The market for smart logistics will also be actively cultivated to increase the use of ePaper for logistics tags.

Technology development will continue to refine our core ePaper technology. Technologies of interest include ePaper film and materials, color, flexibility, and those needed by the ePaper, such as wireless power supply, ePaper timing controller chip, and product reference design. R&D resources will be invested into these four main areas. A strategic roadmap for ePaper patents will also be executed with an emphasis on commercial licensing and mass production for the end market in order to consolidate the technological leadership of E Ink.

Business management will focus on increasing production capacity to meet strong market demand. At the same time, product time-to-market will be accelerated through shorter product development cycles. Greater production automation and logistics flexibility will be harnessed to improve productivity, reduce manufacturing, and meet the production demands of customers to consolidate E Ink's business performance.

Future Prospects

The macro-environment will continue to be affected by COVID-19 and other potential risk factors such as commodity shortages and rising costs. Nevertheless, E Ink is adopting an attitude of cautious optimism and adhering to the ESG principles for sustainability. We will refine our R&D and manufacturing through lean and effective management while liaising closely with our customers and supply chain partners to ensure that there are no disruptions to the production and shipping of ePaper. This will help maintain the growth momentum of our company. At the same time, the mass production of E Ink Gallery and Print Color ePaper - our two main color technologies - opens up new markets for ePaper applications that will contribute to the development of a better future that is more sustainable, smarter, and “paperless.”

Best regards



Chairman
Johnson Lee

II. Company Profile

2.1 Date of Incorporation: June 16, 1992

2.2 Company History

Established in June 16, 1992

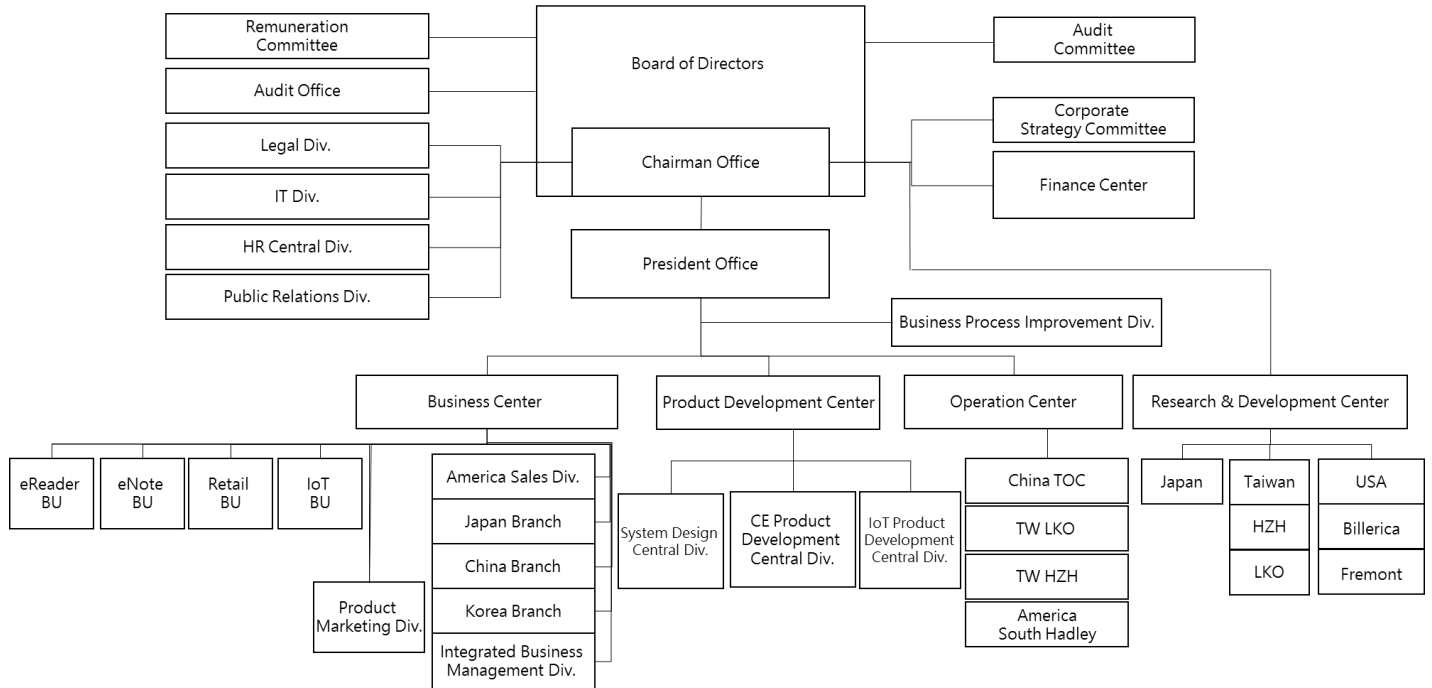
September 2000	Capacity reached 18,000 substrate per month.
October 2000	Public listing approved by Securities & Futures Institute ((2000)Tai-Cai-Zheng (I) Letter No. 86989).
September 2001	Capacity expanded to 36,000 substrate per month.
October 2001	Obtained ISO 9001 certification
April 2002	Permission 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.
July 2002	Received QS-9000 (quality), ISO 14001 (environment) and OHSAS 1800 (safety and health) certifications
February 2003	Officially listed as an Emerging Stock with Taipei Exchange on February 14.
October 2003	Applied for OTC trading with Taipei Exchange.
January 2004	Approved OTC trading with Taipei Exchange.
March 2004	Officially listed on the Taipei Exchange on March 30.
November 2004	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 2005	Contract signed for cooperating with the Philips N.V. ePaper display business.
May 2006	Equity reduced by 296,000 shares after first buyback of treasury stocks.
October 2006	U.S. subsidiary established for building U.S. sales network.
May 2007	Technology and patent licensing agreement signed with Company A.
November 2007	MOU signed to acquire Korean panel manufacture BOE Hydis Technology Co., Ltd.
July 2008	Hydis Technologies Co., Ltd. shares were formally purchased on July 4.
June 2009	Signed contract with E Ink, an U.S. ePaper manufacture, and its shareholders' representative to acquire 100% of its company shares.
September 2009	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.
December 2009	Hydis subsidiary signed bond purchasing contract, collateral contract, investment contract, and cross-licensing contract with LG Display.
May 2010	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.
June 2010	Company name changed to E Ink Holdings Inc.
November 2010	New E Ink Pearl™ monochrome ePaper display won "Best of What's New 2010" award from Popular Science (PopSci).
December 2010	Won award for printed electronics at 4th IDTechEx in the U.S.
January 2011	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.
March 2011	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 2011	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 2011	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.
July 2011	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.
October 2011	E Ink Triton™ color ePaper display won "Innovation of the Year Award" for 2011 from the Wall Street Journal.
November 2011	E Ink Pearl™ ePaper display wins won "Innovation of the Year" presented by the U.K. Institute of Engineering and Technology (IET).
June 2012	E Ink's next-generation high-efficiency ePaper display recognized at "15th Outstanding Photonics Product Awards" presented by PIDA.
June 2012	High contrast E Ink Pearl™ ePaper display received "Outstanding Component Award" at the "11th Gold Panel Awards" presented by the MOEA Industrial Development Bureau.
July 2012	E Ink and the company's Korean subsidiary Hydis Technologies Co., Ltd. signed patent cross-licensing agreement with Company B.

October 2012	E Ink and the company's Korean subsidiary Hydix Technologies Co., Ltd. signed patent cross-licensing agreement with Company C.
November 2012	Acquired shares in SiPix Technology, Inc. for the E Ink ePaper patent portfolio.
December 2012	E Ink and the company's Korean subsidiary Hydix Technologies Co., Ltd. signed patent cross-licensing agreement with Company D.
January 2013	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.
June 2013	E Ink Triton™ full-effect color ePaper display recognized at "16th Outstanding Photonics Product Awards" presented by PIDA.
November 2013	Korean subsidiary Hydix Technologies Co., Ltd. signed patent cross-licensing agreement with Company E.
April 2014	Korean subsidiary Hydix Technologies Co., Ltd. signed patent cross-licensing agreement with Company F.
June 2014	E Ink Spectra™ tri-color ePaper display recognized at "17th Outstanding Photonics Product Awards" presented by PIDA.
December 2014	Presented with "SEMI Standards Contribution Award" by SEMI Taiwan.
August 2015	Wirelessly powered ePaper display won the "Outstanding Technology Award" at the "14th Gold Panel Awards" presented by Taiwan Display Union Association (TDUA).
December 2015	Korean subsidiary Hydix Technologies Co., Ltd. sign patent cross-licensing agreement with Company G.
June 2016	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.
July 2016	Subsidiary Yuen-Yu Investment Co., Ltd. acquired Kai-Yu Investment Co., Ltd. to consolidate company resources and streamline the company structure.
September 2016	Korean subsidiary Hydix Technologies Co., Ltd. signed patent cross-licensing agreement with Company H.
November 2016	E Ink signed MOU on strategic cooperation with Company I.
February 2017	32" color ePaper displays presented with Gold Award at the "Taiwan Excellence Awards" by the MOEA.
April 2017	E Ink established a joint venture with SONY Semiconductor on ePaper display business.
September 2017	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).
November 2017	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 2018	E Ink formed strategic partnership with SES-imagotag, a French company
August 2018	Advanced Color ePaper (ACeP) won the "Outstanding Technology Award" at the "2018 Gold Panel Awards" presented by Taiwan Display Union Association (TDUA).
November 2018	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."
May 2019	E Ink Hardware TCON T1000 presented with COMPUTEX Best Choice Award by the Taipei Computer Association.
June 2019	Yuanhan Materials was acquired by Yuen-Yu Investment Co., Ltd., an E Ink subsidiary, and name changed to Yuanhan Materials Inc.
October 2019	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.
October 2019	Presented with the 5th "Taiwan Mittelstad Award" by the Industrial Development Bureau, Ministry of Economic Affairs.
November 2019	"Wireless Power ePaper Display" presented with Gold Award at the "Taiwan Excellence Awards" by the MOEA.
November 2019	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."
December 2019	E Ink Kaleido™ technology revealed by E Ink with sights set on the development of smart applications for color ePaper.
November 2020	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.
November 2020	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."
December 2020	E Ink Kaleido™ print color technology was included by Popular Science magazine in the US as one of "The 100 greatest innovations of 2020."
December 2020	The E Ink MeeNote (Mobile Expandable ePaper Notebook) developed by E Ink was presented with the "Hsinchu Science Park Innovation Product Award."
December 2020	Resolution passed by the Board of Directors to expand production lines for FPL at the Company's Hsinchu Plant.
March 2021	Resolution passed by the Board of Directors to expand production lines for FPL at the Company's Hsinchu Plant.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



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, Research & Development Center, Finance Center, President's Office, 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 execution of Board resolutions to the Chairman, realizing the business targets set by the Board.
- **President's Office** (includes the Business Center, Product Development Center, Operation Center, Business Process Improvement Division)
Responsible for leading the company's Operation Center, Business Center, Product Development Center and branches. Provide coordination and direction to realize the company's objectives and strategy. Lead the overall business development, decide and implement policies and evaluations, and develop operating rules.
- **Research & Development Center** (Taiwan, Japan, U.S., China)
E Ink R&D is spread across five sites in different continents and is responsible for technology breakthroughs, range extension and continuous improvements for ePaper products, plus transfer of improvements to mass production. The work includes the development of new ePaper types, patent portfolio management, preliminary panel design, research and development of production technologies, metrology, construction of new platforms and module production technologies, as well as the introduction of critical materials, parts and components. Unique features of ePaper operation and driving means new solutions for Touch and Front Light are also developed and reference designs made to assist the customer with rapid design-in and product launch.
- **Business Center** (includes eReader BU, eNote BU, Retail BU, IoT BU, Product Marketing Division, Integrated Business Management Division: Taiwan, Japan, U.S., South Korea, China)
In charge of global business management and strategic direction, oversees global product planning and strategic direction, lead product application engineering departments in providing 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.
- **Product Development Center**
This department is responsible for CE/IoT product development, integrated chip design, panel development, waveform design resources, touch design, front light, process module, system development and other related technologies, and assists BU to introduce mass production, solve customer problems, shorten the design time of customers, and achieve the company's product mass production goal.
- **Operation Center** (Taiwan, China, U.S.)
Overall planning and execution for purchasing products' raw materials, equipment and construction; planning of raw material requirements, bounded and logistics management; assurance of material/product quality and reliability; management and execution of production plans; responsible for planning and execution of product process analysis and production management during the production process.
- **Finance Center**
Responsible for the planning and execution of financial, accounting business management, and public relations affairs.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

2021/4/24

Title	Nationality/ Country of Origin	Name	Gender	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%	100,000	0.01%	0	0.00%	0	0.00%	N/A	None	None	None	
Director	ROC	Johnson Lee, Representative of Aidatek Electronics Inc.	M	109.06.18	3	97.06.13	623,040	0.05%	623,040	0.05%	13,849,000	1.21%	518,000	0.05%	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.	M	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, Shin-Yi Enterprise Co., Ltd. Chairman, Shin-Yi Investment Co., Ltd. Director, Shin-Yi Recreation Co., Ltd. Director, YFY Inc. Director, E Ink Corporation Director,YFY Jupiter (BVI) Inc. Director, Chung Hwa Pulp Corporation Director, TaiGen Biotechnology Co., Ltd. Director, TaiGen Biopharmaceuticals Holdings Ltd. Director, San Ying Enterprise Co., Ltd. Director, China Color Printing Co., Ltd. Director, Cupid Infotech Co.,Ltd. Director, EFFION Enertech Co., Ltd. Director, YFY Biotechnology Co., Ltd. Director, Shen's Art Print Co., Ltd. Director, Sustainable Carbohydrate Innovation Company Limited Director, YFY Biotech Management Company Executive Director, China Investment and Development Co., Ltd. Director, Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd. Director, Yuen Foong Yu Consumer Products Investment Ltd Director, Yuen Foong International (Samoa) Ltd. Director, YFY Japan Co., Ltd. Director, Artone Investment (H.K.) Ltd. Director, Artone Specialties Co., Ltd. Director, Hsinex International Corp. Director, Taitung Enterprise Co. 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, YF Chemical Co., Ltd. Director, SinoCell Technologies Co., Ltd. Chairman, Fu Hwa Enterprise Co., Ltd. Director, HuaDong Industrial Co., Ltd.	Director	Felix Ho	Father
Director	ROC	S.C. Ho, Representative of Aidatek Electronics Inc.	M	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, Shin-Yi Enterprise Co., Ltd. Chairman, Shin-Yi Investment Co., Ltd. Director, Shin-Yi Recreation Co., Ltd. Director, YFY Inc. Director, E Ink Corporation Director,YFY Jupiter (BVI) Inc. Director, Chung Hwa Pulp Corporation Director, TaiGen Biotechnology Co., Ltd. Director, TaiGen Biopharmaceuticals Holdings Ltd. Director, San Ying Enterprise Co., Ltd. Director, China Color Printing Co., Ltd. Director, Cupid Infotech Co.,Ltd. Director, EFFION Enertech Co., Ltd. Director, YFY Biotechnology Co., Ltd. Director, Shen's Art Print Co., Ltd. Director, Sustainable Carbohydrate Innovation Company Limited Director, YFY Biotech Management Company Executive Director, China Investment and Development Co., Ltd. Director, Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd. Director, Yuen Foong Yu Consumer Products Investment Ltd Director, Yuen Foong International (Samoa) Ltd. Director, YFY Japan Co., Ltd. Director, Artone Investment (H.K.) Ltd. Director, Artone Specialties Co., Ltd. Director, Hsinex International Corp. Director, Taitung Enterprise Co. 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, YF Chemical Co., Ltd. Director, SinoCell Technologies Co., Ltd. Chairman, Fu Hwa Enterprise Co., Ltd. Director, HuaDong Industrial Co., Ltd.	Director	Johnson Lee	Father in law

Title	Nationality/ Country of Origin	Name	Gender	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, Synmax Biochemical Co., Ltd. Executive Shareholder, Ho Jai Lai Kosan Unlimited Company Director, Shin-Yi Holding Inc. Director, Hsin Yi Foundation Chairman, Shang Shan Human Culture Foundation Director, Liver Disease Prevention & Treatment Research Foundation Director, Eisenhower Foundation of the Republic of China 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	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. Chairman, YFY Inc. Director, Jupiter Prestige Group Holding Limited Chairman, Willpower Industries Limited Director, Yuen Foong Yu Paper Enterprise (Vietnam) Company Limited Chairman, YFY Jupiter(BVI) Inc. Director, YFY Biopulp Technology Ltd. Director, YFY RFID Co. Limited Director, Chung Hwa Pulp Corporation Director, YFY PACKAGING INC. Chairman, Yuen Foong Yu Consumer Products Co., Ltd. Chairman, Ever Growing Agriculture Bio-tech Co., Ltd. Chairman, Yuen Foong Shop Co., Ltd. Director, Livebricks Inc. Director, Aidatek Electronics, Inc. Director, eCrowd Media Inc. Chairman, Arizon RFID Technology Co., Ltd. Director, Arizon Japan Co., Ltd. Director, YFY Packaging (YangZhou) Investment Co., Ltd. Director, Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd. Chairman, YFY Investment Co., Ltd. Director, YFY Mauritius Corp. Director, Yuen Foong Yu Consumer Products Investment 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, Chen Yu Co., Ltd. Independent director, Universal Cement Corporation Supervisor, Eisenhower Foundation of the Republic of China Chairman, Epoch Foundation Chairman, Taiwan Paper Industry Association Director, Monte Jade Taiwan Science & Tech Association Chairman, Association of Corporate Patent Executives	Director	S.C. Ho	Son
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	109.06.18	3	106.06.20	880,000	0.08%	380,000	0.03%	500,000	0.04%	0	0.00%	PhD, Institute of Electrical Engineering, McGill University, Canada	General manager, E Ink Holdings Inc. Director / General manager, Affiliated Parties of EIH	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	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	CC Tsai, Representative of Shin- Yi Enterprise Co., Ltd.	F	109.06.18	3	97.06.13	233,788	0.02%	233,788	0.02%	0	0.00%	0	0.00%	National Chiao Tung University Department of Photonics Institute of EO Engineering Professor, Quanta Display Inc. Senior Vice President/University of Chicago Department of Physics PhD degree	Director, E Ink Holdings Inc.	None	None	None
Director	ROC	Luke Chen, Representative of Shin- Yi Enterprise Co., Ltd.	M	109.06.18	3	108.09.09	336,000	0.03%	336,000	0.03%	0	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 Plastic Logic HK Ltd	None	None	None
Independent director	ROC	Po-Young Chu	M	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	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	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

December 31, 2020

Name	Criteria	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note)												Number of positions as independent director in other public companies
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Johnson Lee, Representative of Aidatek Electronics Inc.			v					v	v	v	v	v			v		0
S.C. Ho, Representative of Aidatek Electronics Inc.			v	v					v	v	v	v			v		0
Felix Ho, Representative of Aidatek Electronics Inc.			v	v		v			v	v	v	v			v		0
FY Gan, Representative of Shin-Yi Enterprise Co., Ltd.			v			v	v	v	v	v	v	v	v	v	v		0
Luke Chen, Representative of Shin-Yi Enterprise Co., Ltd.			v			v	v	v	v	v	v	v	v	v	v		0
CC Tsai, Representative of Shin-Yi Enterprise Co., Ltd.			v			v	v	v	v	v	v	v	v	v	v		0
Po-Young Chu	v		v	v	v	v	v	v	v	v	v	v	v	v	v	v	3
Shi-Chern Yen	v		v	v	v	v	v	v	v	v	v	v	v	v	v	v	3
Donald Chang			v	v	v	v	v	v	v	v	v	v	v	v	v	v	1
Tien-Chung Chen			v	v	v	v	v	v	v	v	v	v	v	v	v	v	1
Chao-Tung Wen	v		v	v	v	v	v	v	v	v	v	v	v	v	v	v	2

Note1: Resigned from Independent director position on June 18, 2020: Tien-Chung Chen and Chao-Tung Wen; New appointment of Independent director on June 18, 2020: Po-Young Chu, Shi-Chern Yen and Donald Chang.

Note2: "v" is placed in the box if the director or supervisor met the following conditions at any time during active duty and two years prior to the date elected.

- (1) Not employed by the Company or by any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with the Act or local laws).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act local laws).
- (6) Not a director, supervisor or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (7) Does not assume concurrent duties and is not a spouse to the Company's Chairman, President or equivalent role, and is not a director, supervisor or employee of another company or institution. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Does not meet any of the conditions stated in Article 30 of The Company Act.
- (12) Not elected as a government or corporate representative according to Article 27 of The Company Act.

3.2.3 Major shareholders of the institutional shareholders

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.	Hsin Yi Culture Industry Co., Ltd.	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%
Hsin Yi Culture Industry Co., Ltd.	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

2021/4/24

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	380,000	0.03%	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	None	None	None	None
Scientific Advisor	ROC	CC Tsai	F	2014.08.01	233,788	0.02%	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	336,000	0.03%	0	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. PLASTIC LOGIC HK LIMITED	None	None	None	None
Chief Finance Officer	ROC	Lloyd Chen	M	2018.04.23	6,950	0.00%	0	0.00%	0	0.00%	Jiajie Technology Enterprise Co., Ltd. Financial Control-Oversea Tax/ CFO of Global Display Solutions / Lite-On Technology Senior Commissioner/ World Watch Magazine Manager/ Deloitte & Touche Accounting Firm Leading Group/ Master of Finance, City University of New York	CFO, Affiliated Parties of EIH Director, NETRONIX, INC.	None	None	None	None
Advanced Technology Research Central Div. Senior Vice President	ROC	YS Chang	M	1996.02.01	175,414	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	0	0.00%	0	0.00%	0	0.00%	Philips Principal Research/ GEC Senior Research Scientist/ Dundee Uiversity 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	4,983	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
eNote BU Associate Vice President	ROC	Jim Chang	M	2018.09.06	310,000	0.03%	0	0.00%	0	0.00%	AU Optronics Corporation Marketing Director / PICVUE ELECTRONICS, LTD. product engineer / National Tsing Hua University Institute of Nuclear Science master degree	None	None	None	None	None
FPL MFG Central Div. Associate Vice President	ROC	Mano Lo	M	2013.12.09	190,000	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	0	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	None
Product Development Center Associate Vice President	ROC	JM Hung	M	2018.09.06	229,000	0.02%	12,000	0.00%	0	0.00%	AU Optronics Corporation Manager / National Chiao Tung University Institute of Electrical and Control Engineering Master degree	None	None	None	None	None
IoT BU Associate Vice President	ROC	Max Chen	M	2013.02.01	260,000	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	Director / President, Affiliated Parties of EIH	None	None	None	None
Finance Center Accounting Director	ROC	James Huang	M	2013.12.03	20,000	0.00%	0	0.00%	0	0.00%	Taiwan Semiconductor Manufacturing Co., Ltd Principal Administrator / National Taiwan University Department of Accounting bachelor degree / National Chung Cheng University Department of Accounting master degree	None	None	None	None	None
Corporate Governance Officer	ROC	June Su	F	2017.09.11	12,000	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	None

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

(1) Remuneration of Directors

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total 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.(1)	0	0	0	0	14,000	14,000	720	720	0.41%	0.41%	69,940	69,940	432	432	512	0	512	0	2.38%	2.38%	990
	S.C. Ho, Representative of Aidatek Electronics Inc.(1)																					
	Felix Ho, Representative of Aidatek Electronics Inc.(1)																					
	Luke Chen, Representative of Aidatek Electronics Inc.																					
	CC Tsai, Representative of YFY Inc.																					
	FY Gan, Representative of YFY Inc.																					
	FY Gan, Representative of Shin-Yi Enterprise Co., Ltd.(1)																					
	CC Tsai, Representative of Shin-Yi Enterprise Co., Ltd.(1)																					
	Luke Chen, Representative of Shin-Yi Enterprise Co., Ltd.(1)																					
Independent director	Ten-Chung Chen	0	0	0	0	6,000	6,000	361	361	0.18%	0.18%	0	0	0	0	0	0	0	0	0.18%	0.18%	0
	Chao-Tung Wen																					
	Donald Chang (1)																					
	Shi-Chern Yen (1)																					
	Po-Young Chu (1)																					

Remarks 1 : The Company elected 6 directors and 3 independent directors in 2020 annual general meeting according to the Articles of Incorporation to serve a term of 3 years, i.e., from June 18, 2020 to June 17, 2023

Remarks 2 : Resigned from Independent director position on June 18, 2020: Tien-Chung Chen and Chao-Tung Wen; New appointment of Independent director on June 18, 2020: Po-Young Chu, Shi-Chern Yen and Donald Chang.

Remarks 3 : It's has been count the expenditure of the company car about NTD 1,802 thousand ; The amount of driver's remuneration is about NTD 2,834 thousand.

Remarks 4 : The amount of bonus to directors is NTD20,000 thousand , the profit sharing- employee bonus is NTD38,650 thousand on 2020.

The bonus has been approved in board of directors on 3/16 and it will be offered after approve in shareholders meeting on 6/22 .

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	Companies in the consolidated financial statements
Under 1,000,000	Ten-Chung Chen 、 Chao-Tung Wen	Ten-Chung Chen 、 Chao-Tung Wen	Ten-Chung Chen 、 Chao-Tung Wen	Ten-Chung Chen 、 Chao-Tung Wen
1,000,001 ~ 2,000,000	Donald Chang 、 Shi-Chern Yen 、 YFY Inc.	Donald Chang 、 Shi-Chern Yen 、 YFY Inc.	Donald Chang 、 Shi-Chern Yen 、 YFY Inc.	Donald Chang 、 Shi-Chern Yen 、 YFY Inc.
2,000,001 ~ 3,500,000	S.C. Ho 、 Felix Ho 、 Luke Chen 、 CC Tsai 、 FY Gan 、 Po-Young Chu 、 Shin-Yi Enterprise Co., Ltd.	S.C. Ho 、 Felix Ho 、 Luke Chen 、 CC Tsai 、 FY Gan 、 Po-Young Chu 、 Shin-Yi Enterprise Co., Ltd.	S.C. Ho 、 Felix Ho 、 Po-Young Chu 、 Shin-Yi Enterprise Co., Ltd.	S.C. Ho 、 Felix Ho 、 Po-Young Chu 、 Shin-Yi Enterprise Co., Ltd.
3,500,001 ~ 5,000,000	Johnson Lee	Johnson Lee		
5,000,001 ~ 10,000,000	Aidatek Electronics, Inc.	Aidatek Electronics, Inc.	Aidatek Electronics, Inc.	Aidatek Electronics, Inc.
10,000,001 ~ 15,000,000			Luke Chen 、 CC Tsai	Luke Chen 、 CC Tsai
15,000,001 ~ 30,000,000			FY Gan	FY Gan
30,000,001 ~ 50,000,000			Johnson Lee	Johnson Lee
50,000,001 ~ 100,000,000				
Over 100,000,001				
Total	14	14	14	14

(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 (%)		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													
President	FY Gan													
Chief Technology Officer	CC Tsai													
Executive Vice President	Luke Chen	47,087	47,087	864	864	39,957	39,957	917	-	917	-	2.47%	2.47%	990
Chief Finance Officer	Lloyd Chen													
Vice President	YS Chang													
Vice President	Tung Liang Lin													
Vice President	Ian Douglas French													

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	Tung Liang Lin	Tung Liang Lin
5,000,001 ~ 10,000,000	Ian Douglas French 、 YS Chang 、 Lloyd Chen	Ian Douglas French 、 YS Chang 、 Lloyd Chen
10,000,001 ~ 15,000,000	CC Tsai 、 Luke Chen	CC Tsai 、 Luke Chen
15,000,001 ~ 30,000,000	Johnson Lee 、 FY Gan	Johnson Lee 、 FY Gan
30,000,001 ~ 50,000,000		
50,000,001 ~ 100,000,000		
Over 100,000,001		
Total	8	8

(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	-	1,536	1,536	0.04%
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	James Huang				

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			
	2019		2020	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Directors	2.52%	2.52%	2.38%	2.38%
Independent Directors	0.18%	0.18%	0.18%	0.18%
President and Vice Presidents	2.17%	2.17%	2.47%	2.47%

- (2) 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.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

(1) A total of 6 (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	Representative of Aidatek Electronics Inc.: Johnson Lee	6	0	100%	
Directors	Representative of Aidatek Electronics Inc.: S.C. Ho	6	0	100%	
Directors	Representative of Aidatek Electronics Inc.: Felix Ho	6	0	100%	
Directors	Representative of Shin-Yi Enterprise Co., Ltd.: FY Gan	6	0	100%	
Directors	Representative of Shin-Yi Enterprise Co., Ltd.: Luke Chen	6	0	100%	
Directors	Representative of Shin-Yi Enterprise Co., Ltd.: CC Tsai	6	0	100%	
Independent Director	Po-Young Chu	6	0	100%	
Independent Director	Shi-Chern Yen	4	0	100%	Assumed independent director position on June 18, 2020
Independent Director	Donald Chang	4	0	100%	Assumed independent director position on June 18, 2020
Independent Director	Ten-Chung Chen	2	0	100%	Departed from independent director position on June 18, 2020
Independent Director	Chao-Tung Wen	2	0	100%	Departed from independent director position on June 18, 2020

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
2020.03.18	17th meeting of the 10th board	<ol style="list-style-type: none"> 1. Presentation of the Company's 2019 business report and financial statements 2. Report on the regular evaluation of financial statement auditor's independence and competence 3. Report on self-assessment of the Company's financial statement preparation capacity 4. Report on derivative transactions undertaken by the Company in 2019 and January 2020 5. Report on external party lending, endorsement, and guarantee transactions undertaken by the Company and subsidiaries up until January 31, 2020 6. Report on the capital-raising plan of subsidiary - Transcend Optronics (Yangzhou) Co., Ltd. 7. Report on the third time of buyback of the Company's shares and the transfer of shares to employees 8. Report on the Company's audit plan execution between October and December 2019 9. Report on indirect investments into the Mainland through business investments created in a third location 10. Preparation of the Company's 2019 year-end accounts 11. Presentation of the Company's 2019 "Declaration of Internal Control System" 	none.	-

		<ul style="list-style-type: none"> 12. Proposal to apply for credit limits with banking partners 13. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 14. Proposal to amend Levels of Approval Authority of the Company 15. Compensation for the Company's Chairman 16. Compensation for the Company's President 17. Proposal for partial amendments to Board of Directors Conference Rules 		
2020.05.07	18th meeting of the 10th board	<ul style="list-style-type: none"> 1. Presentation of the Company's 2020 Q1 business performance and financial statements 2. Report on derivative transactions undertaken by the Company between January and March 2020 3. Report on external party lending, endorsement, and guarantee transactions undertaken by the Company and subsidiaries up until March 31, 2020 4. Report on the Company's audit plan execution between January and March 2020 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 for partial amendments to the Company's Articles of Incorporation 8. Proposal to have the board of directors nominate director (and independent director) candidates for the 11th board 9. Proposal to seek resolution in annual general meeting to remove restrictions on competing business involvement for the 11th board of directors (including corporate directors and their representatives) 10. Proposal to add discussions to the 2020 annual general meeting agenda 	none.	-
2020.06.18	1st meeting of the 11th board	<ul style="list-style-type: none"> 1. Election of Chairman for the 11th board of directors 2. Appointment of members for the Company's 4th Remuneration Committee 3. Proposal to remove restrictions imposed against the Company's President for involving in competing businesses 	none.	-
2020.08.10	2nd meeting of the 11th board	<ul style="list-style-type: none"> 1. Presentation of the Company's 2020 Q2 business performance and consolidated financial statements 2. Report on derivative transactions undertaken by the Company between April and June 2020 3. Report on external party lending, endorsement, and guarantee transactions undertaken by the Company and subsidiaries up until June 30, 2020 4. Report on the Company's audit plan execution between April and June 2020 5. Report on renewal of the Company's director and supervisor liability insurance 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 to source medium-term working capital by engaging Mega International Commercial Bank as the lead arranger of a 5-year syndicated loan 9. Proposal of auditor remuneration for 2020 10. Proposal to expand production capacity of FPL at the Company's Hsinchu Plant 	none.	-
2020.11.4	3rd meeting of the 11th board	<ul style="list-style-type: none"> 1. Presentation of the Company's 2020 Q1-Q3 business performance and consolidated financial statements 2. Report on derivative transactions undertaken by the Company between July and September 2020 3. Report on external party lending, endorsement, and guarantee transactions undertaken by the Company and subsidiaries up until September 30, 2020 4. Report on the Company's audit plan execution between July and September 2020 5. 2020 salary adjustment for managers of Assistant Vice President grade and above 6. Presentation of the Company's 2021 "Audit Plan" 7. Amendments to the Company's "Shareholders Conference Rules" 8. Proposal to apply for credit limits with banking partners 9. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 	none.	-
2020.12.17	4th meeting of the 11th board	<ul style="list-style-type: none"> 1. Report on derivative transactions undertaken by the Company between October and November 2020 2. Report on external party lending, endorsement, and guarantee transactions undertaken by the Company and subsidiaries up until November 30, 2020 3. Report on the Company's business integrity management practices in 2020 4. Report on proposed treasury investments 5. Presentation of the Company's 2021 operational plan and budget 6. Establishment of the Company's "Issuance and Subscription Policy for 2020 Employee Warrant" 7. Proposal to apply for credit limits with banking partners 8. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 9. Proposal to expand production lines 2 and 3 for FPL at the Company's Hsinchu Plant 	none.	-

(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. Recommendation for the Chairman's compensation was raised during the 17th meeting of the 10th board of directors. For the avoidance of conflicting interests, Chairman Johnson Lee recused himself from discussion and voting of this motion. The meeting was chaired by Independent Director Ten-Chung Chen instead. The motion was passed as proposed by the remaining directors free of conflicting interest, who expressed no objection upon inquiry by the acting chairperson.
 2. Recommendation for the President's compensation was raised during the 17th meeting of the 10th board of directors. For the avoidance of conflicting interests, Director FY Gan recused himself from discussion and voting of this motion. The motion was passed as proposed by the remaining directors free of conflicting interest, who expressed no objection upon inquiry by the chairperson.
 3. Nomination of candidates for the 11th board of directors (and independent directors) was raised during the 18th meeting of the 10th board of directors. For the avoidance of conflicting interests, Director Johnson Lee, Director S.C. Ho, Director Felix Ho, Director FY Gan, Director CC Tsai, and Director Luke Chen were recused from discussion and voting of this motion. Independent Director Ten-Chung Chen 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 chairperson.
 4. Nomination of candidates for the 11th board of directors (and independent directors) was raised during the 18th meeting of the 10th board of directors. For the avoidance of conflicting interest, existing Independent Director Po-Young Chu recused himself from discussion and voting of this motion. The motion was passed as proposed by the remaining directors after thorough discussion, who expressed no objection upon inquiry by the chairperson.
 5. Election of Chairman of the 11th board was held during the 1st meeting of the 11th board of directors, during which Independent Director Po-Young Chu had nominated Johnson Lee to serve as Chairman of the 11th board. For the avoidance of conflicting interests, Directors Johnson Lee, S.C. Ho, and Felix Ho were recused from discussion and voting of this motion. Director Johnson Lee was elected Chairman of the current board by the remaining directors free of conflicting interest.
 6. Proposal to remove restrictions against the Company's President for competing business involvement was raised during the 1st meeting of the 11th board. For the avoidance of conflicting interests, Director FY Gan had recused himself from discussion and voting of this motion. The motion was passed as proposed by the remaining directors free of conflicting interest, who expressed no objection upon inquiry by the chairperson.
 7. 2020 salary adjustment for managers of Assistant Vice President grade and above was raised during the 3rd meeting of the 11th board. For the avoidance of conflicting interests, Directors Johnson Lee, FY Gan, CC Tsai, and Luke Chen were recused from discussion and voting. Independent Director Po-Yung Chu served as acting chairperson for this motion. The motion was passed as proposed by the remaining directors free of conflicting interest, who expressed no objection upon inquiry by the acting 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, 2020, the Company followed the terms of its Board of Directors Performance Evaluation Policy. It 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	January 1 to December 31, 2020.	(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, 2020, 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 5 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent director	Ten-Chung Chen	2	0	100%	Departed from independent director position on Jun 18, 2020
Independent director	Chao-Tung Wen	2	0	100%	Departed from independent director position on Jun 18, 2020
Independent director	Po-Young Chu	5	0	100%	Convener
Independent director	Donald Chang	3	0	100%	New appointment on Jun 18, 2020
Independent director	Shi-Chern Yen	3	0	100%	New appointment on Jun 18, 2020

Additional information:

I. If any of the following applies to the operation of the Auditing Committee, specify the date of the meeting and the session of the Board, the content of the motion, the resolutions of the Auditing Committee, and the response of the Company to the opinions of the Auditing Committee.

(I) The particulars exhibited in Article 14-5 of the Securities and Exchange Act.

Date	Major resolutions	Independent Directors' opinions	The company's response
13-Mar-20	<ol style="list-style-type: none"> 1 Report of the 2019 business report and financial statements. 2 Report of the 2019 & 2020 Jan Financial Derivatives transaction. 3 Report the fund loan and endorsement guarantees of the Company and its subsidiaries as of Jan 31, 2020. 4 Report on the implementation of the audit plan for the period from Oct to Dec 2019. 5 Report assesses the independence and competence of the appointment of a visa accountant. 6 Report of the self-assessment of the ability to prepare financial reports. 7 Approval of the 2019 business report and financial statements. 8 Approval of the 2019 "Internal Control System Statement". 9 Proposal for partial amendments to the decision-making authority in measures of administration by levels. 	None	None
4-May-20	<ol style="list-style-type: none"> 1 Report of the 2020 Q1 business report and financial statements. 2 Report of the 2020 Jan to Mar Financial Derivatives transaction. 3 Report the fund loan and endorsement guarantees of the Company and its subsidiaries as of Mar 31, 2020. 4 Report on the implementation of the audit plan for the period from Jan to Mar 2020. 	None	None
4-Aug-20	<ol style="list-style-type: none"> 1 Report of the 2020 Q2 business report and financial statements. 2 Report of the 2020 Apr to Jun Financial Derivatives transaction. 3 Report the fund loan and endorsement guarantees of the Company and its subsidiaries as of Jun 30, 2020. 4 Report on the implementation of the audit plan for the period from Apr to Jun 2020. 5 Approval of 2020 annual visa accountant service fee case. 6 Proposal for expansion plan of FPL line production at the current site of the Hsinchu plant to expand production capacity. 7 Election of the convener and meeting chair of the company's 3th audit committees. 	None	None
3-Nov-20	<ol style="list-style-type: none"> 1 Presentation of the Company's 2020 Q1~Q3 business performance and consolidated financial statements 2 Report of the 2020 Jul to Sep Financial Derivatives transaction. 3 Report the fund loan and endorsement guarantees of the Company and its subsidiaries as of Sep 30, 2020. 4 Report on the implementation of the audit plan for the period from Jul to Sep 2020. 5 Presentation of the Company's 2021 "Audit Plan" 	None	None
11-Dec-20	<ol style="list-style-type: none"> 1 Report of the 2020 Oct to Nov Financial Derivatives transaction. 2 Report the fund loan and endorsement guarantees of the Company and its subsidiaries as of Nov 30, 2020. 3 Establishment of "2020 Employee Stock Option Plan". 4 Proposal for expansion plan of FPL line production at the current site of the Hsinchu plant to expand production capacity. 	None	None

- (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. The recusal of Independent Directors from motions involving the interest of the Independent Directors, the names of the Independent Directors concerned, the content of the motions, the reason for recusal for the avoidance of conflict of interest, and the participation in voting: Not applicable.
- 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.

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) Has the Board mapped out related policies on the basis of the diversity of its members and pursued these policies properly?	v		<ul style="list-style-type: none"> The members of the Board are experts from different professional backgrounds, of both sexes, and in different areas of specializations. This composition makes the structure of the Board perfect. For information about board members, please refer to section 8.8. 	<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? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration and nomination decisions?		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																																																																	
(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 imposed.</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 imposed.	✓		<ul style="list-style-type: none"> Fulfilled
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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	
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 8.9. 	● 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 of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?		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 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 	● Fulfilled

Items for evaluation	The pursuit			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason																																																																
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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:	<ul style="list-style-type: none"> ● Fulfilled 																																																																
<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(IV) The Company has instituted the procedure for the evaluation of suppliers.</p> <p>(V) Continuing education of the Directors in 2020:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Date of training</th> <th>Training hours</th> <th>Organizer</th> <th>Name of course</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Representative of Institutional Director</td> <td rowspan="2">S.C. 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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	

Title	Name	Date of training	Training hours	Organizer	Name of course
Representative of Institutional Director	FY Gan	2020/11/17	3	Taiwan Corporate Governance Association	5G is Reshaping the Face of Digital Transformation and Competition in Business
		2020/07/17	3	Taiwan Corporate Governance Association	Effective Independent Directorship and Audit Committee Operating Practices
Independent Director	Po-Young Chu	2020/11/10	3	Taiwan Corporate Governance Association	Global Economic Trend of Low Growth, High Risk, and Many Opportunities
		2020/09/17	3	Taiwan Corporate Governance Association	Board of Directors Functions and Multi-criteria Decision-Making Model
		2020/08/07	3	Taiwan Corporate Governance Association	Board of Directors Functions and Performance Evaluation
Independent Director	Shi-Chern Yen	2020/11/17	3	Taiwan Corporate Governance Association	5G is Reshaping the Face of Digital Transformation and Competition in Business
		2020/08/07	3	Taiwan Corporate Governance Association	Board of Directors Functions and Performance Evaluation
		2020/06/09	3	Taiwan Corporate Governance Association	Directors' and Supervisors' Criminal Risks and Responses - Fraud and Money Laundering Prevention
		2020/05/22	3	Taiwan Corporate Governance Association	Protection of Trade Secrets and Non-Compete Clauses
Independent Director	Donald Chang	2020/08/25	3	Taiwan Corporate Governance Association	Director and Supervisor Liability on Financial Statement Fraud
		2020/08/18	3	Taiwan Corporate Governance Association	Does Jumping Ship Violate the Trade Secrets Act?

- (VI) More than two-thirds of the Directors were present in each session of the Board to participate in the operation of the Board.
- (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.
- (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.

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.

- (I) The Company's corporate governance evaluation result for 2020 is 6%~20%.
- (II) Future response actions:
 - a. Add a new section for stakeholder in the Company's official website to disclose the information of a specified contact person.
 - b. Enhance the communication channel between the Company and its Board of Directors.
- (III) Self-evaluation report will be prepared as the Company assessing its corporate governance evaluation items for further improvement.

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

The Chairman of the Remuneration Committee convened two regular meetings in 2020. The Remuneration Committee Charter is available on the Company's corporate website.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent director	Ten-Chung Chen			v	v	v	v	v	v	v	v	v	v	v	v	1	-
Independent director	Chao-Tung Wen	v		v	v	v	v	v	v	v	v	v	v	v	v	2	-
Independent director	Donald Chang			v	v	v	v	v	v	v	v	v	v	v	v	1	-
Independent director	Shi-Chern Yen	v		v	v	v	v	v	v	v	v	v	v	v	v	3	-
Independent director	Po-Young Chu	v		v	v	v	v	v	v	v	v	v	v	v	v	3	-

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
9. Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
10. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

- There are 3 members in the Remuneration Committee.
- A total of 2 (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	Ten-Chung Chen	1	0	100%	Service ended on 2020/6/18
Convener	Donald Chang	1	0	100%	New Convener since 2020/6/18
Committee Member	Chao-Tung Wen	1	0	100%	Service ended on 2020/6/18
Committee Member	Po-Young Chu	2	0	100%	
Committee Member	Shi-Chern Yen	1	0	100%	New committee member since 2020/6/18

Other mentionable items:

- 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 directors' opposing opinions
2020/3/18	The 10 th board The 17 th meeting	1. Proposal to allocate employee and director remuneration from 2019 profits, and to determine details including the payment method and eligible payees 2. Compensation for the Chairman of E Ink 3. Compensation for the President of E Ink	Passed unanimously by all attending members	-
2020/11/04	The 11 th board The 3 th meeting	1. The 2020 salary adjustment proposal 2. The 2020 salary adjustment proposal for managers of assistant vice president grade and above	Passed unanimously by all attending members	-

- 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
2020/03/13	The 3 th board The 7 th meeting	1. Proposal to allocate employee and director remuneration from 2019 profits, and to determine details including the payment method and eligible payees 2. Compensation for the Chairman of E Ink 3. Compensation for the President of E Ink	Passed unanimously by all attending members	-
2020/09/16	The 4 th board The 1 th meeting	1. The 2020 salary adjustment proposal 2. The 2020 salary adjustment proposal for managers of assistant vice president grade and above	Passed unanimously by all attending members	-

C. Functions

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

3.3.5 Fulfillment of social responsibilities and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Items for evaluation	The pursuit			Variation with the Corporate Governance Best Practice Principles for TWSE/TPEX –Listed Companies, and the reason for the variation
	Yes	No	Summary	
I. Has the company conducted risk assessment 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?	V		E Ink has developed a robust risk management organization to establish standard operating procedures and rules that enhance risk management. Through the implementation of internal control systems and training, the Company promotes proper awareness among employees and enforces risk management practice in daily activities. The Company conducts risk assessment on environmental, social and corporate governance issues and evaluates risk levels based on the principles of materiality. Risk management policies and strategies are then developed based on the above findings, refer to section 8.10. The Company also adopted an internal audit system and performs regular audits to ensure that the risk management mechanism is working properly.	Fulfilled
II. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the unit report its progress to the board of directors?	V		The Company has established a cross-function Corporate Social Responsibility Committee in February 2016. This is an adjunct functional body subordinated to each functional department and was led by a senior officer of the Company for the incremental planning and implementation of corporate social responsibility, and report to the Board of the result. The Corporate Social Responsibility Committee Company has been Transformed into a Sustainable Development Committee since 2021. The committee has 40-50 members, and the chief financial officer Lloyd Chen serves as the chairman and reports to the chairman of the board. The committee consists of a secretary group and six groups: Green Manufacturing Group, Company Care Group, Corporate Governance Group, Product Sustainability Group, Supply Chain Group, Stakeholders and Working Groups; Industrial Safety and Environmental Protection Department, Human Resources Department, General Affairs Department, Financial Accounting Department, Legal Department and other related departments. Through the operation of the committee, communication and cooperation, the company's social responsibility and sustainable inclusive work have been integrated into all aspects of the company. Innovative thinking and teamwork have established deep-rooted sustainable development goals.	Fulfilled
III. Environmental issues				
(I) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		The Company has been certified for ISO14001 Environmental Management System since 2002 and engages a third-party certifier to perform external audits yearly. Transition to ISO14001:2015 was completed and certified in 2017, and there are ongoing investments to improve environmental management practices.	Fulfilled
(II) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V		The Company is continuing to promote waste reduction in the production process and the efficient use of energy. Chemical materials recovered from production processes are returned to the supplier for refining and reuse to enhance performance in safety, health and environmental protection. Reusable packing materials and recyclable waste are reclaimed through the appropriate channels.	Fulfilled

Items for evaluation	The pursuit			Variation with the Corporate Governance Best Practice Principles for TWSE/TPEX –Listed Companies, and the reason for the variation
	Yes	No	Summary	
(III) Does the company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		<p>The scenarios for a temperature increase of 2°C or more developed by the International Energy Agency, information compiled from internal/external stakeholder surveys, international research reports, and trends in related domestic/overseas industries were used to identify the potential physical/transformation risks and opportunities that climate change may pose to E Ink. The probability and impact of identified risks and opportunities were then analyzed to assess the appropriate response to adopt for each risk and develop a corresponding climate change strategy. The main climate change risks identified by E Ink based on the above were changes in renewable energy legislation, increased severity of extreme climate, and market uncertainty. The corresponding management measures included: regulatory compliance assessment, active search for green power supplies, installation of power generators, self-power generation for compliance, regular maintenance of conduits, strengthening of emergence response drills, equipment upgrades and maintenance, supply chain risk management, designated alternate suppliers, monitoring or marketing intelligence to increase sensitivity to markets, and adjusting response strategies to reduce risk.</p> <p>At the same time, climate change opportunities included the development of new products and services through R&D and innovation, reducing the use and consumption of water resources, as well as recycling and reuse of resources. Corresponding responses and management measures included: Expanding the design, application, and innovative R&D of ePaper, Upgrade to energy-saving motors, reduce leaks in facilities, recycle and reuse chemicals, and cooperate with suppliers on chemical and packaging recycling.</p>	Fulfilled
(IV) 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, carbon, greenhouse gas, water and waste?	V		<p>The Company places great emphasis on environmental issues and is committed to preventing pollution and reducing resource consumption. ISO 14064-1 Greenhouse Gas Inventory has been performed yearly since 2005 and has been validated and certified by a third-party institution. Furthermore, certification for ISO 50001 Energy Management System has been attained since 2016. All environmental statistics and information have been duly disclosed and published in annual corporate social responsibility reports.</p> <p>In addition, the Company has continued the implementation of carbon and energy-saving reduction every year in supporting the government policy of carbon reduction and energy-saving and in compliance with applicable laws governing energy resources. Objectives and action plans for the saving of resources have been prepared and achieved. The Company took part in the Voluntary Green Energy Pricing Trial Project introduced by the Ministry of Economic Affairs in 2017 and purchased 1.16 million kWh of green energy. Since then, 1,645 renewable energy certificates have also been purchased from the National Renewable Energy Certification Center, with plans to continue making further chases on an ongoing basis. The Company also obtained 9 bundled renewable energy certificates from private power plants to demonstrate our commitment to supporting green power, energy conservation and carbon reduction.</p> <p>The ISO 14001 Environmental Energy System was introduced by the Company with management initiatives implemented every year to increase the recycling and reuse of water and wastewater, conservation of energy, heat recovery, waste reduction and recycling.</p>	Fulfilled
IV. Social issues				
(I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		<p>The Company has instituted the Rules of Business Engagement for regulating each type of behavior. Lectures on the rules will be provided to the new employees during orientation. The basic labors right of employees is also introduced, including the right of employment, work hours, salaries and benefits, humanity treatment, non-discrimination, and freedom of association. Other items include employee health and safety, environmental protection, the protection of Company information and assets, the basic principle for transactions with the customers, legal and moral requirements, and personal code of conduct. The Company's employment policy is in compliance with applicable laws in Taiwan and the fundamental international labor rights. Human Resources is responsible for the implementation of the employment process after proper review.</p>	Fulfilled

Items for evaluation	The pursuit			Variation with the Corporate Governance Best Practice Principles for TWSE/TPEX –Listed Companies, and the reason for the variation
	Yes	No	Summary	
(II) Has the company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	V		A range of welfare measures are provided by the Company, including the establishment of an Employee Welfare Committee to oversee all employee benefits, organizing of various events, as well as the provision of labor insurance and company insurance that provide employees with multiple levels of coverage. Employees are provided with education and training for developing their professional skills, open career tracks for promoting quality talent, as well as reasonable wages and compensation; business performance and accomplishments are also reflected in employees' compensation.	Fulfilled
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		The Company has been certified on the OHSAS 18001 Occupational Safety and Health Management System since 2002. Third-party verification institutions are retained to conduct an external audit every year. The Company has also converted over to the ISO 45001 Occupational Safety and Health Management System in 2020 and is continuing to invest in the improvement and management of occupational safety and health. The Company provides health examination for employees at regular intervals, set up first-aid stations, and employed nursing professionals to educate employees on health developments and run weight-loss classes. The Company also organizes competitions for different kinds of ball sports and the annual family day to keep employees healthy. The Company has also set up breastfeeding facilities at work that provide working mothers with convenience and privacy. The Company arranges courses in occupational safety and health during new employee orientation as required by law. Annual training is also organized on the use of protective equipment, driver safety, firefighting, and emergency response drills ensure a safe working environment and the safety and health of employees.	Fulfilled
(IV) Has the company implemented an effective training program that helps employees develop skills over their career?	V		The Company plans and organizes different programs in line with the Company's strategic direction, management goals, and organizational requirements every year. Prominent instructors in the industry are invited to enhance the professional skills, competence, and team spirit of employees. Such courses help departments and individuals connect and build up the team consensus needed to accomplish Company and organizational goals.	Fulfilled

Items for evaluation	The pursuit			Variation with the Corporate Governance Best Practice Principles for TWSE/TPEX –Listed Companies, and the reason for the variation
	Yes	No	Summary	
(V) Has the company complied with laws and international standards with respect to customer health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?	V		<p>All Company products comply with international standards and customer requirements. All internal and external Company operations adhere strictly to the codes of conduct and ethics. 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> <p>(1) Relevant processes have been established by each Company department. The Company also established the Quality Assurance Department to protect customer interests. Customer satisfaction surveys and customer feedback are used to study customer requirements and provide a reference for continuous improvement by the Company. In addition, interviews and review meetings are routinely held with customers to maintain optimal channels for communication and understand what customers need. The Company has also established a monitoring system for supplying high-quality products and services that meet the needs of customers.</p> <p>(2) The Company ensures that there is no use of prohibited substances, conflict materials, and substances subject to environmental control for its parts and components, raw materials, and packing materials. The Company also duly observes applicable legal rules, seeks to satisfy customer needs, protects the environment, mitigates the impact on the ecological system, and requires all materials from suppliers in conformity to the following rules:</p> <ol style="list-style-type: none"> 1.Registration, Evaluation, Authorization and Restriction of Chemicals (EU REACH) 2. Directive of Waste Electrical and Electronic Equipment (EU WEEE) 3. Directive of the Restriction of Hazardous Substances (EU RoHS) 4. No use of conflict minerals 5. The quality policy and objective of the Company in products and environment (established in accordance with applicable international legal rules and regulations and customer needs). 	Fulfilled
(VI) Has the company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	V		<p>The Company has supplier evaluation procedures in place that consider CSR issues such as Occupational Safety and Health Management System, environmental impact assessment, health and safety, labor practice assessment, and social assessment. All new suppliers are required to pass the aforementioned CSR evaluation. Regular audits and counseling are also regularly arranged for existing suppliers. Suppliers that exhibit significant adverse social impact will have performance reflected in the assessment worksheet and consider future decisions such as order placement, auditing etc. In addition, the Company assesses the financial, environmental and social risks of its suppliers to facilitate early response and minimize the risk of supply chain disruption.</p>	Fulfilled
V. Does the company prepare corporate social responsibility report or any report of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier?	V		<p>The Company has prepared its CSR report based on GRI (Global Reporting Initiative) Standards and opted for the Core disclosure e. 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), and a Limited Assurance was issued to confirm conformity with GRI Standards - Core disclosure option. Please refer to the appendix for CPA's independent assurance statement for each year.</p>	Fulfilled

Items for evaluation	The pursuit			Variation with the Corporate Governance Best Practice Principles for TWSE/TPEX –Listed Companies, and the reason for the variation
	Yes	No	Summary	
VI.			<p>If the company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established relevant systems and policies, and duly implemented them in line with the CSR spirit.</p>	
VII.			<p>Other information useful to the understanding of corporate social responsibilities: The 2014 CSR Report released in 2015 was the first to be prepared by the Company. The report covered environmental protection, the use of resources and energy, energy-saving and carbon reduction, safety and health, product innovation, quality assurance, customer service, procurement and supplier management, human right and employee rights, internal and external communications, and the mechanisms of complaints, legal affairs and compliance, and social charity. For further information, visit our official website at http://www.eink.com, and refer to the section of Corporate Social Responsibility. The 2020 CSR Report is scheduled to be released in June 2021.</p> <p>E Ink is a member of society and embraces the spirit of "Giving Back to Society." For this reason, the Company has continued to commit our human resources and funds to build a better society and natural environment.</p> <p>Highlights of the Company's CSR activities are as follows:</p> <p>[Accolades]</p> <p>In 2020, the Company took part in the "2020 - 13th Taiwan Corporate Sustainability Awards" organized by TACS and won the Chinese Report Awards – Gold Award, Corporate Comprehensive Performance Award – Taiwanese Companies Sustainability Performance Award, Best Practice Award - Social Inclusion Award, and Best Practice Award - Growth through Innovation Awards. Chairman Johnson Lee was invited to accept the 4 awards on behalf of the Company.</p> <p>[E-Read the Future]</p> <p>"E-Read the Future" is a long-term eReader mobile library program that E Ink launched in 2017. Its mission is to assist junior high schools, elementary schools, and even rural institutions in establishing a digital library based on eReaders that are easy to carry, eye-safe, suitable for extended reading, and filled with a wealth of content. In addition to enriching the learning resources of elementary and junior high schools to mitigate the rural learning gap, it also promotes digital reading as an environmentally friendly solution that saves paper. The program complies with UN Sustainable Development Goals on "Good Health and Well-being (SDG 3)", "Quality Education (SDG 4)", and "Global Partnerships (SDG 17)."</p> <p>The program involved a number of software and hardware supply chain partners such as Netronix and Rakuten Kobo as well as volunteers from related fields. In 2020, 506 Kobo Forma eReaders and 27,830 eBooks worth NT\$29.6 million in total was donated to 18 junior high schools to set up eReader mobile libraries in conjunction with New Taipei City Government. The program has established eReader mobile libraries in Nantou County, Changhua County, Chiayi County, and New Taipei City to date. Total contributions of NT\$136 million have been made so far, including the sponsoring of 85 junior high schools and elementary schools, 19 libraries 1,606 eReaders, and 129,000 eBooks. Nearly 32,000 students benefited from the initiative.</p> <p>"E-Read the Future" is a long-term program managed by E Ink that is being implemented based on "one county/city per year." Sustainability ideals were also incorporated to establish a three-year project cycle. The first year is dedicated to set up of eReader mobile library and training on the use of devices, while the second and third years are dedicated to campus visits, teachers' training seminars and student readathons based on the themes of "digital, reading, knowledge." These help familiarize school teachers and students with the use of eReaders. The convenience of eReaders, in turn, serves to promote digital reading by boosting reading frequency and intensity. At the same time, user feedback from teachers and students are collected to improve the running of the program.</p> <p>The model used by the program in Taiwan was also introduced to other regions where the Company's sites are located including Yangzhou in China, Seoul in Korea, and Boston in the US. eReader and eBook resources are used to promote digital learning and help bridge the rural learning gap. In this way, the Company and brand can achieve international growth while contributing to the sustainable development of society.</p> <p>[Contribution to COVID-19 prevention]</p> <p>The Company donated 1.26 million medical gloves and medical masks to Massachusetts state hospitals and 2,000 medical masks to Taiwan Economic and Cultural Representative Office in Boston, United States during the COVID-19 outbreak. Also during the outbreak of COVID-19, E Ink donated medical masks to Korean government and Yangzhou, China government on medical masks when the local governments couldn't secure enough medical masks. E Ink also provided free medical masks to E Ink employees during the outbreak across the globe where E Ink has operations (China, Taiwan, US, Korea and Japan) where obtaining medical masks were difficult.</p> <p>[Supporting Green Energy]</p> <p>The Company has continued implementing carbon reduction and energy saving initiatives every year in support of government policies on carbon reduction and energy saving. The energy-saving targets and action plans drawn up by the Company have since produced significant results. The Company took part in the Voluntary Green Energy Pricing Trial Project introduced by the Ministry of Economic Affairs in 2017 and purchased 1.16 million kWh of green energy. Since then, 1,645 renewable energy certificates have also been purchased from the National Renewable Energy Certification Center, with plans to continue making further chases on an ongoing basis. The Company also obtained 9 bundled renewable energy certificates from private power plants to demonstrate our commitment to supporting green power, energy conservation 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				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

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 8.8~8.10.

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
Chief Technology Officer	CC Tsai	2014/08/01	2021/01/31	Retirement

3.4 Information Regarding the Company's Audit Fee and Independence

Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte Touche Tohmatsu Limited	Hui-Min Huang	12,270	-	636	-	2,686	3,322	2020.01.01 ~2020.12.31	Tax consulting service fee
	Chih-Ming Shao								

3.5 Information on the replacement of CPAs in the last 2 years and beyond:

1. Information on preceding CPAs:

Date of reappointment	Passed during the board of directors meeting held on May 8, 2019		
Reasons and details of the reappointment	Following an internal adjustment within Deloitte Taiwan, CPA Hui-Min Huang and CPA Chih-Ming Shao have been appointed to replace CPA Yia-Ling Weng and CPA Chih-Ming Shao starting from the first quarter of 2019.		
Whether the termination of audit service was initiated by the client or by the auditor	Situation \ Parties involved	Auditor	Client
	Service terminated by	Not applicable	Not applicable
	Service no longer accepted (continued) by	Not applicable	Not applicable
Reasons for issuing opinions other than unqualified opinion in the last 2 years	None		
Any disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial report
			Audit coverage or procedures
			Others
	No	V	
Description			
Other disclosures (Disclosures deemed necessary under Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Guidelines)	None		

2. Information on succeeding CPAs:

Name of accounting firm	Deloitte Taiwan
Name of CPA	CPA Hui-Min Huang, CPA Chih-Ming Shao
Date of appointment	Passed during the board of directors meeting held on May 8, 2019
Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment	Not applicable
Written disagreements from the succeeding auditor against opinions of the former auditor	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		2020		As of Apr. 24, 2021	
			Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Johnson Lee	Representative of Aidatek Electronics Inc.				
Director	S.C. Ho		-	-	-	-
Director	Felix Ho					
Director	Luke Chen	Representative of Shin-Yi Enterprise Co., Ltd.				
Director	CC Tsai		N/A	N/A	-	-
Director	FY Gan					
Independent director	Po-Young Chu		-	-	-	-
Independent director	Donald Chang		N/A	N/A	-	-
Independent director	Shi-Chern Yen		N/A	N/A	-	-
Chairman	Johnson Lee		-	-	-	-
President	FY Gan		-	-	(500,000)	-
Scientific Advisor	CC Tsai		-	-	-	-
Chief Technology Officer	Ian Douglas French		(18,000)	-	-	-
Vice President	Tung-Liang Lin		-	-	-	-
Senior Vice President	YS Chang		-	-	-	-
Executive Vice President	Luke Chen		-	-	-	-
Associate Vice President	Mano Lo		-	-	(18,000)	-
Associate Vice President	Max Chen		-	-	-	-
Associate Vice President	Jim Chang		-	-	-	-
Associate Vice President	JM Hung		-	-	-	-
Associate Vice President	Jason Jan		N/A	N/A	-	-
Chief Finance Officer	Lloyd Chen		-	-	-	-
Finance Center Accounting Director	James Huang		-	-	-	-
Corporate Governance Officer	June Su		(30,000)	-	-	-
Major Shareholders	YFY Inc.		-	-	-	-

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.

2021/04/24

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 : Felix Ho	133,472,904	11.70%	N/A	N/A	0	0.00%	1. Shin-Yi Enterprise Co., Ltd. 2. S.C. Ho	1. Juristic-person Director 2. Representative of Juristic-person Director; Son is Chairman	
S.C. Ho	80,434,300	7.05%	0	0.00%	0	0.00%	1. YFY Inc. 2. Shin-Yi Enterprise Co., Ltd. 3. Hsinex International Corp.	1. Representative of Juristic-person Director; Son is Chairman 2. Director; Wife is Chairman; Son is Director 3. Director; Spouse is the Chairman	
Cathay Life Insurance Co.,Ltd. Representative : Huang,Tiao-Gui	42,757,227	3.75%	N/A	N/A	0	0.00%	None	None	
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 2. Felix Ho	1. Director; Spouse is the Chairman 2. Representative of Juristic-person Director; Mother is Chairman	
Hsinex International Corp. Representative : C. J. Chang	27,012,127	2.37%	N/A	N/A	0	0.00%	1. S.C. Ho	1. Director; Spouse is the Chairman	
Swedbank Robur Technology Fund	25,000,000	2.19%	N/A	N/A	0	0.00%	None	None	
YFY Development Corp. Representative : Tsai, Wei-Li	23,326,296	2.05%	N/A	N/A	0	0.00%	1. YFY Inc.	1. Juristic-person Director	
Indus Select Master Fund, Ltd.	22,716,000	1.99%	N/A	N/A	0	0.00%	None	None	
Swedbank Robur Global Fund	22,000,000	1.93%	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 3. Felix Ho	1. Juristic-person Director 2. Representative of Juristic-person Director 3. Representative of Juristic-person Director	

3.9 Ownership of Shares in Affiliated Enterprises

December 31, 2020/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	2.66%	2,500,000	29.76%	2,723,655	32.42%
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
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

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 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. 100000584
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

Class	Share	Authorized capital			Remark:
		Outstanding shares	Unissued shares	Total	
Registered common shares		1,140,467,715	859,532,285	2,000,000,000	1. Stocks listed at TWSE or TPEX 2. Balance of 6,105 thousand treasury shares as of April 24, 2021

4.1.2 Status of Shareholders

2021/04/24

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	25	266	59,284	351	59,928
Shareholding (shares)	22	96,467,742	321,754,376	420,434,963	301,810,612	1,140,467,715
Percentage	0.00%	8.46%	28.21%	36.87%	26.46%	100.00%

4.1.3 Shareholding Distribution Status

A. Common Shares

2021/04/24

Class of Shareholding			Number of Shareholders	Shareholding (Shares)	Percentage
1	-	999	24,786	1,895,294	0.17%
1,000	-	5,000	27,258	54,168,766	4.75%
5,001	-	10,000	3,704	29,830,935	2.62%
10,001	-	15,000	1,106	14,370,153	1.26%
15,001	-	20,000	792	14,827,992	1.30%
20,001	-	30,000	610	15,796,910	1.38%
30,001	-	50,000	556	22,566,417	1.98%
50,001	-	100,000	467	33,732,269	2.96%
100,001	-	200,000	279	39,624,107	3.47%
200,001	-	400,000	157	44,966,483	3.94%
400,001	-	600,000	56	27,657,683	2.42%
600,001	-	800,000	25	17,443,211	1.53%
800,001	-	1,000,000	22	19,826,935	1.74%
1,000,001 or over			110	803,760,560	70.48%
Total			59,928	1,140,467,715	100.00%

B. Preferred Shares: None.

4.1.4 List of Major Shareholders

2021/04/24

Shareholder's Name	Shareholding	
	Shares	Percentage
YFY Inc.	133,472,904	11.70%
S.C. Ho	80,434,300	7.05%
Cathay Life Insurance Co.,Ltd.	42,757,227	3.75%
Shin-Yi Enterprise Co., Ltd.	32,842,345	2.88%
Hsinex International Corp.	27,012,127	2.37%
Swedbank Robur Technology Fund	25,000,000	2.19%
YFY Development Corp.	23,326,296	2.05%
Indus Select Master Fund, Ltd.	22,716,000	1.99%
Swedbank Robur Global Fund	22,000,000	1.93%
Chung Hwa Pulp Corporation	20,000,000	1.75%

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

Unit: Thousand shares /NTD

Items	2019	2020	As of 2021/04/24
Market Price per Share			
Highest Market Price	38.85	48.85	61.40
Lowest Market Price	26.75	20.60	43.20
Average Market Price	32.76	38.56	51.24
Net Worth per Share			
Before Distribution	25.57	26.89	25.99
After Distribution	23.57	24.19	–
Earnings per Share			
Weighted Average Shares	1,132,286	1,134,363	1,134,363
Diluted Earnings Per Share	2.72	3.18	1.03
Dividends per Share			
Cash Dividends	2	2.7	–
Stock Dividends			
Dividends from Retained Earnings	–	–	–
Dividends from Capital Surplus	–	–	–
Accumulated Undistributed Dividends	–	–	–
Return on Investment			
Price / Earnings Ratio (Note 1)	12.05	12.13	–
Price / Dividend Ratio (Note 2)	16.38	14.28	–
Cash Dividend Yield Rate (Note 3)	6.11	7.00	–

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

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 2020 in a session dated March 16, 2021, 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, 2021)

E Ink Holdings Incorporated
Table for the Distribution of Earnings in 2020

Unit: NTD

Item	Amount		Remarks
Earnings undistributed at the period-beginning		\$ 2,977,365,213	
Net income of the current year	\$ 3,602,589,260		
Adjusted retained earnings for investment due to the use of the equity approach	7,020,350		
Remeasured amount of confirmed welfare plan listed in the retained earnings	(8,395,344)		
Sum of current net income and non-net income items added to current undistributed earnings		3,601,214,266	
Statutory surplus reserve set aside (10%)		(360,121,427)	
Reversal of special reserve previously provided		29,880,896	
Distributable earnings for the year		6,248,338,948	
Items of distribution			
Cash dividends and bonuses for shareholders		(3,062,779,331)	Cash dividends at NT\$2.7 per share
Closing undistributed earnings		\$ 3,185,559,617	

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 2020 amounted to NT\$38,650 thousand and to the Directors in the same year amounted to NT\$20,000 thousand. The Board resolved to pay the aforementioned amount in cash in a session dated March 16, 2021 pending on reporting to the Shareholders Meeting for final approval on June 22, 2021.
- (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 2020 amounted to NT\$38,650 thousand and to the Directors in the same year amounted to NT\$20,000 thousand. The Board resolved to pay the aforementioned amount in cash in a session dated March 16, 2021.
 - 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	31,900,000
Remuneration of directors	15,579,452

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

4.1.9 Buyback of Treasury Stock

Item	Notes
Third buyback (in 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%
Number of shares retired and transferred	13,895,000 shares
Accumulated holding of the Company's shares	6,105,000 shares
Cumulative holding of own shares as a percentage to total outstanding shares (%)	0.54%
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 times 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 3rd times 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

4.2 Corporate Bonds: None

4.3 Preferred Stock: None

4.4 Global Depository Receipts

Item	Issue date	2009/12/11	
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		60 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)	2020	Highest	17.1
		Lowest	6.9
		Average	12.6
	Current year to 2021/04/24	Highest	21.8
		Lowest	15.5
		Average	18.2

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:

The company applies for the issuance of 10,000 employee stock option certificates in 2020. It was approved by the Financial Supervisory Commission, R.O.C. on April 8, 2021. The issuance date is determined by the chairman of the board and it's pending the resolution of the board of directors on the issuance procedures.

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 ESO: The Company offered ESO from 2004 to 2010, and the instruments were matured from 2010 to 2016. For information on the names of the managers and the Top 10 employees who have acquired ESO, the quantity and the amount of ESO, refer to the Annual Reports covering these periods.

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

2. Percentage of Sales Revenue

Product Category	Year	2020	
		Operating Income (Thousands NTD)	Percentage (%)
Monitors		10,905,140	71
Electronic shelf labels and other		4,457,715	29
Total		15,362,855	100

3. Major products and their applications
Major products are EPD modules. Applications include eReaders, Electronic Shelf Labels (ESL), eNotes, Mobile devices, and Digital Signage, etc.

4. New Products and Services in the Pipeline

Product development at E Ink is currently focused on the following five directions:

- A. To leverage the paper-like qualities of ePaper to strengthen the development of products for reading and handwriting applications such as eReaders and eNotes, etc.
- 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 for ePaper to facilitate the rapid introduction of new products and the development of new applications by customers.
- D. To develop and introduce new materials and processes that enhance the performance and specifications for ePaper modules to better meet market demands and increase product competitiveness.
- E. To foster strategic cooperation and cross-industry alliances with domestic/overseas companies for shared investment in technology and resources. The goal is to develop low-power ePaper display technology applications and lay down the foundation for sustainable management.

5.1.2 Industry Overview

1. Current Status and Development of EPD Industry

The ePaper development can be traced back to the early 1970s. In 1996, the Massachusetts Institute of Technology solved the problem of dye particle condensation. It confirmed the feasibility of Electrophoretic Display technology that would eventually evolve into the “Electronic Ink” we know today. ePaper technology went through a long phase of research, development, prototyping and pilot production before finally entering mass production in 2008. In addition to ensuring the Company’s continued technological leadership, expanding the patent strategy and strengthening its position in the ePaper industry, the consolidation of global talent, technology and resources in Taiwan, China, USA, and Japan meant almost complete dominance in the ePaper sector.

Attributes of ePaper include paper-thinness, ultra-low power consumption, wide field of view, bistability, readability under strong light, and flexibility. The potential of ePaper in applications other than eReaders is now widely recognized in the market as well. Demand for ESL is continuing and large Western retailers have embraced it. The requirement for low-power consumption makes ESL a natural fit for IoT applications as well, so there is strong growth potential.

eReaders and eNotes products for reading and writing now range from 4.3” to 13.3” (approximately A7 to A4) and applications include the business and education markets. Customers have recently begun commercializing the technology. Bigme launched the first 10.3” color eNote while reMarkable released the world’s thinnest 10.3” eNote. The products are now gaining more market acceptance with

exponential growth in shipments.

Applications like Digital Signage and digital walls come in two display modes: full color and monochrome. They represent the next evolutionary step in conventional posters and open up a new market for green display technologies. Advanced color ePaper (E Ink Prism™) also has various architectural applications, including dynamic digital sculptures.

E Ink is playing a pivotal role in the overall supply chain even as ePaper technology’s product applications and ecosystem continue to develop. The Company remains the industry leader in terms of technology and production capacity thanks to continuous innovation and investment of resources.

2. Correlations between the upstream, midstream and downstream of the industry

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

3. Product Development Trends

(1) eReader

For eReaders, the highlight of 2020 for E Ink was the release of colored eReaders (6”) based on our latest “E Ink Kaleido™” print color ePaper technology. In addition to becoming a market sensation in Europe and Asia, they also showed the eReader market that monochrome was no longer the only option. The release of color ePaper will also create more business opportunities as eReader vendors can now colorize their content, expanding the market for eReaders to include fields that require color content, such as illustrated books and children’s books. The entire eReader industry will benefit from the new growth opportunities. Even larger (7.8”) print color ePaper was also released this year in response to market demand. It allows customers to broaden their product line-up and provide end-users with more choice. For conventional monochrome eReaders, the focus this year will be on the development of larger eReader sizes. A new generation of electronic ink (Carta 1200) will also offer faster page turns and improved optical attributes such as higher contrast. Mainstream mid-range and high-end products will be the first to introduce the technology to provide a better user experience. These new products are expected to reach the market soon and should increase growth and demand from upgrades in the eReader market.

(2) Electronic Shelf Label (ESL)

Thanks to the increasing maturity of smart retail applications and technology, stock management and price marking in physical stores can now convert completely over to ESL technology for real-time updates and effective inventory management. Compared with traditional paper tags, ESL can be updated wirelessly from any location to improve speed and efficiency. It also eliminates errors due to price changes. More accurate updates reduce the likelihood of pricing errors and help stores by offering a fast response mechanism to price changes in a highly competitive market with real-time promotional pricing updates. Benefits include greater customer satisfaction as well as lower costs from manual pricing changes and other administrative/management expenses. ESL application can also be extended to smart inventory management and factory/warehouse logistics. Automatic notifications can also be sent through the back-end management system when specific products are approaching their expiration dates. ESL in unmanned stores is placed on product shelves where they can be dynamically updated with the latest product pricing in real-time and display the latest product information in keeping with the new trend towards smart retail.

ePaper offers the advantages of being compact, lightweight and power-saving. It is not only very close to the visual effect of real paper but offers incredibly useful features such as enabling users to update product pricing dynamically from anywhere. Through the integration of wireless data transmission and ESL, the solution makes it possible to perform real-time information updates to improve accuracy and efficiency. For product management at wholesale stores or cargo management at large warehouses, the adoption of ESL with ePaper technology is aligned with the latest

automation and smart management trends.

The bistable attribute of ePaper products means power is only consumed when writing and updating data. No power is consumed if there is no change to the information being displayed. This advantage matches the general trend towards energy efficiency and low power consumption. It also helps retailers save on label printing costs. Unlike LCD monitors, ePaper has a field of view that approaches 180-degrees, so the displayed content remains visible even when viewed at steeper angles.

In addition to standard monochrome ePaper, E Ink has also developed ESL for other application scenarios such as low-temperature ePaper for freezers, as well as Three Pigment ePaper (black-white-red or black-white-yellow) for specials or promotions. A low voltage ESL solution was also introduced recently. This batteryless solution is more suitable for small shops than the wireless version for large retailers. No changes to interior decoration or installation of hardware is necessary. A smartphone with NFC functionality is all that's needed to update the labels at any time. In response to market expectations on color ePaper, the existing line-up of black-white-red and black-white-yellow Three Pigment ePaper was joined by color technology that supports up to 7 colors this year (2020). We hope this allows retailers to provide more diversified content and boost their business growth.

(3) eNote

eNote retains the eye comfort and low power consumption of ePaper while adding support for handwriting. E Ink's eNotes delivers the handwriting experience of paper-based products together with data editing, storage and management functions to let users enjoy the convenience of ePaper technology and a boost in productivity. eNote based on flexible technology, in particular, is light and compact with highly durable display panels. Even the largest 13.3" (A4) products are easy to carry and stow.

The product was initially targeted at professional and commercial applications in North America, Europe, Japan and China but has begun making inroads in the education market in recent years. Our vision of gradually replacing traditional pen and paper notebooks with eNote is coming closer to fruition. The product has been well-received by fans of new consumer tech products as well.

For professional and commercial applications, smart office eNote products with integrated voice recognition, speech-to-text editing and handwriting technology provide a tool for keeping track of day-to-day work. eNote products with speech-to-text function improves the productivity of business people and office workers. For the smart education market, E Ink's ePaper was integrated with our partners' digital handwriting technology to offer a solution for healthy reading, convenient writing, and smart learning in the education sector. In response to the demand for colored notes and annotations, Print Color ePaper technology was developed by E Ink and implemented as E Ink Kaleido™. A customer successfully developed 10.3" color e-notebook based on this ePaper technology recently to meet the needs of different users. The number of students in basic education and trainees in OTJ around the world are growing every year. COVID-19 has also spurred the rapid development of digital learning environments. Therefore, the introduction of eye-safe eNote products is, therefore, the perfect time to take advantage of future developments in the Chinese, Indian, and Japanese education markets.

E Ink works diligently to develop new technologies that improve product performance and functionality. We are also continuing to work with customers and partners to enhance user experience through more sophisticated software functionality such as AI-driven handwriting and speech recognition. These functions are not only used in the smart education market but have also been gradually introduced to smart office environments and academic conferences. At the same time, E Ink is continuing to promote smart paper-less applications targeted at professional sectors such as law, finance and healthcare. We expect the market for eNote to grow at a steady pace in the future.

(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. Its key feature is ePaper on the back of credit cards to dynamically display the card verification code. Once DCVV cards are introduced, the motion code (3-digit security code) on the back of their credit cards will be updated by their issuing banks once every 30-60 minutes to effectively prevent losses from theft and unauthorized use. Once credit card companies begin to provide credit card solutions embedded with EPDs that update their one-time motion code every 60 minutes, this should effectively prevent unauthorized duplication 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 Bitcoin cryptocurrency, another new product trend has been the Cold Storage technology with EPD to create Bitcoin wallet cards.

(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 logistics 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 solution integrates EPD and wireless transmission technologies such as Bluetooth or Near Field Communication (NFC) to transmit and receive each flight's corresponding luggage ID code. Passengers and flight details are also displayed on the tag. The system allows airlines to track luggage effectively and troubleshoot any problems during transportation.

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. 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.

(6) Mobile Device

For dual-screen applications, EPD to the innovative product sector of PC Convertibles by offering a new 3-in-1 user experience for dynamic keyboard, handwriting and reading. 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 variety of sizes have been progressively rolled out for single-screen smartphone products. Conventional monochrome displays have now been joined by color display smartphones with Print Color ePaper that offer even more options in addition to the portability and eye-comfort of EPD. Wearable products saw ePaper integrated with conventional analog wrist watches while retaining its power-less Always-on and outdoor readability attributes. The innovative result 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.

(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 signage are still static printed products at the moment and can only be replaced manually. The replacement of such displays has propelled Digital Signage and E Ink's growth and has established a strong foothold in the growing digital signage 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 continuing to add value to ePaper enabled products. We expect Digital Signage applications to continue expanding and engaging in cross-industry collaboration to boost our products and technologies' market profile and business growth.

4. Competition Situation

E Ink has secured an absolute leading position in the global market of ePaper technology and products. In the market of eReaders as EPD application, E Ink owns larger market share. Leading global eReader brand vendors use 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. 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 Research and Development Overview

E Ink is continuing to focus on the development of EPD products and technologies. In addition to making continued refinements to EPD module technology, we are also actively investing in the commercialization of color ePaper products. We are also leveraging our know-how in electronic shelf labels, flexible displays, and touch panels to release a constant stream of new products that have been well-received in the market. At the same time, we are actively expanding our manufacturing capacity to maintain our leadership in the very competitive EPD market.

In 2019, 2020, and 2021Q1, E Ink's consolidated research and development expense came to NT\$ 2.37 billion, NT\$ 2.47 billion, and NT\$ 0.57 billion respectively.

(1) ePaper Technology

E Ink Carta™ is the latest generation of the mass-produced ePaper. E Ink Carta™ has the highest reflectivity to date, with a 50% higher contrast ratio and 22% higher reflectivity compared to E Ink Pearl™, the previous E Ink product. Carta is light, thin eco-friendly and safe to read for long periods of time. It has a broad range of applications, including eReaders, environmental protection and extended reading times. It can be used in eReaders, eDictionaries, electronic reference books, electronic magazines, and electronic notes.

(2) Advanced Color ePaper (ACeP) Technology

Advanced Color ePaper (ACeP) is the first display technology that allows EPD to produce full color

gamut through color particle without color filters. ACeP provides vivid colors without reducing brightness from color filters and representing a new milestone in reflective color EPD. Like standard EPD, ACeP offers ultra-low power consumption and is as easy-on-the eyes as paper under different lighting conditions.

(3) Three Pigment ePaper Technology

E Ink Spectra™ is the latest red or yellow electronic ink product to enter mass production. In addition to black and white pigments, E Ink Spectra™ includes one more color in addition to black and white, making it suitable for ESL and signage applications. Retailers can easily and precisely change the product price to capture the consumer's attention and boost their marketing effectiveness. Moreover, the third color can be remotely activated to display promotion and sale items dynamically. Using this product instead of paper labels allows for real-time interaction with consumers on pricing. Spectra currently supports Active Matrix and Segmented systems. It is widely used in the retail industry and can be applied in new markets such as industrial, smart cards, and healthcare.

(4) Color Changing Film for Architecture and Art Design

The E Ink Prism™ dynamic color display technology is an offshoot of ePaper that breaks away from conventional display design and offers tremendous development potential. 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.

(5) Flexible EPD

E Ink Mobius™ is a flexible EPD with flexible plastic backplanes and modules of either amorphous silicon or organic TFT. Material lamination and stress-matching design resulted in a light, thin, wrappable, drop-resistant and shatter-resistant plastic displays that are ruggedized and lightweight. The flexible display technology enables customers to integrate conformal elements into product design, leading to end products with unique design and function. The technology has now been widely adopted in the market.

Rollable EPD modules with plastic backplanes are shatter proof and far lighter than glass. They are also thinner and lighter than existing ePaper with glass backplanes, an important feature for larger products.

(6) 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 eReader 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 eReader customers.

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 paper and books.

(7) 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 an NFC receiver. For long-distance applications, EPD with the UHF RFID reader can be used in transportation systems, retail ESL, logistic tags, warehouse automation systems, or even smart cards, smart homes, eBulletins, and Digital Signage applications.

(8) Print Color Technology

E Ink Kaleido™ and E Ink Kaleido™ Plus are based on a combination of electronic ink and printed color filter array technologies. Monochrome ePaper is converted into color ePaper with 16 levels of gray and 4096 colors using RGB color-mixing. E Ink Kaleido™ color ePaper modules made with print color technology are thinner, lighter and offer superior color optics performance.

E Ink Kaleido™ Plus, the next iteration of the technology, was released by E Ink in early 2021. The printed color filter array was adjusted to enhance color and printing effects. The color filter array was

placed closer to the ink layer to reduce light diffusion. The new rendering technology allows for sharper text performance. The Light Guide was also adjusted to optimize the LED color spectrum to minimize color-mixing from light diffusion. Applications include eReader, eNotebook, e-text books and smartphones.

5.1.4 Long-Term and Short-Term Sales Development Plan

1. Short-Term Sales 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 enhance product quality and provide more comprehensive manufacturing services so as to win over the custom of more major international players.
 - (3) To establish local support services for US, Europe, China and Japan as well as strengthen distribution channels.
 - (4) Establish an electronic paper eco-system, expand FPL sales channels and expand the use of electronic paper with more display module manufacturers.
 - (5) Establish a related ePaper eco-system: Develop electronic paper driver ICs with more ecosystem partners, and expand the use of electronic paper by TFT backplane manufacturers.
2. Long-Term Sales Development Plan
 - (1) To focus on the research and development resources of advanced technologies such as Advanced Color, Print Color, and Low-Power technologies and enhance production process capabilities. At the same time, we will continue to refine our patent strategy to maintain 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 Sales Regions

Region	2019		2020	
	Sales Amount	%	Sales Amount	%
Taiwan	1,181,943	9	1,307,137	9
Asia	11,388,409	84	12,693,107	83
America	997,106	7	1,291,992	8
Others	34,218	-	70,619	-
Total	13,601,676	100	15,362,855	100

5.2.2 Market Share

E Ink supplies customers with durable and low-power ePaper products based on the latest technology. E Ink is currently the only vendor capable of mass-producing ePaper while maintaining consistently high quality. It is, therefore, the dominant player in 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 eNote, luggage/logistics tags, and ePaper signage 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 richness 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 Supply, demand, and growth in the ePaper market

Border closures to contain the COVID-19 pandemic caused upheavals in the global market and industries during 2020. It also gave birth to the “contact-less economy” and changed related fields such as education, work, lifestyle and retail. These changes also spurred the development of ePaper applications in online education, working from home and reading, physical retail operations with low manpower requirements, and high-performance green logistics. ePaper attributes such as bi-stability and reflectivity offer benefits such as low power consumption and eye comfort. When combined with Artificial Intelligence of Things (AIoT), big data computing and 5G, it provides the global end market and industry models with a key boost as they re-define themselves in the post-COVID era.

In terms of the end consumer market, the rise of “stay at home economy” and “contact-less economy” in response to COVID-19 made reading at home and online purchase of ebooks a new consumer trend. Sales of eReader and eNote products continued to grow correspondingly. eNotes are suitable for working, studying and research from home; eNotes that support remote learning became a particularly powerful online education tool during the pandemic.

At the same time, E Ink Kaleido™ technology entered mass production in 2020, and a number of color eReader and eNote products were progressively released in the consumer market. These offered an optimal display solution for the eBook and education industries. Users around the world were able to enjoy digital reading without compromising on eye comfort and color performance.

In terms of transportation and healthcare, the current COVID-19 pandemic means that energy-saving ePaper combined with a solar power system can be quickly deployed without being connected to grid power or digging up the road to lay power cables. Display interfaces suitable for epidemic prevention education and management make epidemic controls more effective. For example, public ePaper signs and bus stop signs can provide real-time and emergency alerts or bus timetable changes. For medical facilities and airports with very demanding infection control and management requirements, ePaper ID badges and information cards can be used for access control, infection control and epidemic prevention education. It effectively reduces the amount of manpower required by user units for replacing posters and managing visitor access. Related personnel can then focus more effectively on other epidemic prevention tasks.

In terms of smart retail (new retail), COVID-19 accelerated “omni channel” (online/offline) integration in retail. ESL dynamic price update systems can help solve problems such as store staff shortages, increased consumer demand, out-of-stock shelves, and increased online ordering. 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.

The impact of COVID-19 on retailer cash flow made merchants pay more attention to the precision of merchandising. The use of large, color ePaper to deliver a variety of product information and advertisements in real-time is gaining popularity among physical retailers. Through the integration with the software and hardware systems of our ecosystem partners, systems that can be remotely updated are built. Front-end ESL and signage information can also be synchronized to enhance the consumer shopping experience.

At the same time, ePaper also enabled a brand new model for smart logistics. Flexible ePaper combined with wireless transmission/update and batteryless technology was introduced for airline luggage tags. Benefits included security, improved efficiency and value-adding. Even though the global airline industry is still under heavy pressure from COVID-19, E Ink and our ecosystem partners are making active progress in software/hardware system testing and overcoming technical obstacles. We will be well-positioned for the recovery in the airline industry once the COVID-19 pandemic eases up.

Epidemic prevention boosted the growth in e-commerce but this also meant more packaging and consumables. Growing demand for packaging materials also meant more wastes being generated and this has a negative impact on the environment. ePaper can be employed here to help realize the goals of “less carbon and more green” and reuse in green logistics. For example, E Ink and a European partner created a reusable packaging solution that can each be used approx 1,000 times. The material can also be reclaimed and recycled. Sender or recipient details are displayed on the product’s ePaper display. The solution can be reused and recycled, so we hope that it can be rolled out to more e-commerce and logistics customers in the future.

In terms of brand promotion, lockdowns due to COVID-19 in many countries around the world in 2020 brought international commercial activity to a standstill. E Ink immediately executed digital (online) marketing and promotion strategies. Digital marketing and communication became the basis for our overall planning on external communication and resources to maximize marketing synergies. Our physical offline

marketing activities were transferred seamlessly online to continue promoting the E Ink brand, ePaper technology and its applications.

The E Ink digital marketing platform was also overhauled. These included the global E Ink website, reference design marketing website, enhanced digital content, different online communication platforms, social media management, online exhibitions and webinars, and online catalogs. Rich multimedia content was produced with broadcasts on well-known multimedia platforms (YouTube, Bilibili, Youku), webinars, online white paper. Key social media such as WeChat, FaceBook, LinkedIn, Twitter, and Instagram were also used to promote ePaper knowledge and applications through localized communications.

Cooperation on digital marketing within the ePaper ecosystem was strengthened. Joint campaigns were organized leveraging customer's marketing resources so that target audience and the general public can learn about ePaper technology and its attributes even if they can't take part in physical marketing events. Raising E Ink's profile and technology leadership served to boost business growth.

5.2.4 Competitive niche

In 2020, E Ink continued the commercialization of our technology R&D. The mass production of color ePaper technologies such as advanced color ePaper and print color ePaper, increasing the versatility of eNote applications through the E Ink MeeNote™ reference design, as well as the development of foldable and rollable technologies based on the flexible platform did not just strengthen the user experience in existing applications. They also expanded into a more diverse array of new applications to create all-new market niches.

The reflective display technology of ePaper uses no backlighting, is eye-safe, and is light, thin and flexible. It can also be made curved to conform to the human body, so it is well-suited to all types of wearable devices. It also offers a simple solution to difficulties such as well-lit outdoor environments and the difficulty of recharging.

ePaper technology has long been popular and valued by the consumer and education markets as well. Customers have begun releasing new devices equipped with the latest color ePaper and these have been well-received by the consumer market for reading devices and the education industry. In addition to their existing strengths such as compact size, lightweight, convenience, and eye-comfort, color technology allows for reading colored books, colored notations, and highlighting. A clear market distinction was successfully established with backlight/self-illuminated display technologies such as LCD and OLED. In response to market and customer feedback, E Ink developed advanced color ePaper technology with faster page-turning speeds. Color ePaper could then introduced into even more applications such as digital picture frames and billboards.

E Ink continued to work on reference designs as well. The E Ink MeeNote e-notebook architecture we developed in 2020 can be connected directly to computers or smartphones running Windows or Android systems to mirror the computer or smartphone's display on the e-notebook. A handwriting function is also supported.

We will continue to invest R&D resources and manpower towards the fusion of material, chemistry, electronic, electrical and mechanical knowledge to overcome technology bottlenecks. Continued expansion of ePaper applications will strengthen the technological capabilities of E Ink and help us maintain our leadership.

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

The trend towards working from home and online education caused in the COVID-19 era means increased user eye fatigue due to looking at display monitors for even longer periods of time. ePaper's better eye-comfort is particularly well-suited to extended office use or reading. E Ink is therefore working with ecosystem partners to develop larger reading, handwriting and monitor products.

There is now a global consensus that illuminated display technologies such as LCD and OLED put more strain on the eyes. Their use in learning devices for smart education can therefore cause serious and irreversible damage to the eyesight of students who are still growing. Some countries such as China and France have therefore banned smartphones in schools. China, in particular, has introduced stress-reducing measures for middle and elementary schools. The goal is to reduce the total number of myopia among children and youths throughout the country by 0.5% per year by 2023. In response to regional policies and market requirements, ePaper developed by E Ink has a paper-like texture and is not illuminated. As the ePaper satisfies both e-learning and eye-safe requirements, it is well-positioned for the educational applications market.

COVID-19 accelerated the development of global e-commerce and logistics markets. The bar for speed and quality of logistics deliveries was therefore raised as well. In addition to manpower savings, digital transformation, improved efficiency and accuracy, ESL can also eliminate conventional paper waste. Combining ePaper with reusable logistics cartons and smart label applications will speed up the realization of gains from green logistics.

In addition to the active adjustment of company strategy in response to the “contact-less economy” created by COVID-19, IoT and Smart City developments will continue to dominate the market in the long-term. This will drive the rapid proliferation of IoT devices in commercial and lifestyle settings. In the age of total connectivity, displays serve as the interface between humankind and devices.

With regards to unfavorable factors, demand in the ePaper market continues to be strong, so E Ink invest in more production capacity to meet production shortages. Post-COVID restructuring of the global supply chain will undoubtedly lead to more management complexity. We will therefore focus on greater transparency in the supply chain to increase diversity and redundancy among our suppliers and transport networks, improve the overall resilience of the ePaper supply chain, as well as lower production complexity and risks. Production costs will also be reduced through greater automation. At the same time, we will push to effectively increase ePaper film production capacity and yields and strengthen our collaboration with material partners to ensure that our production capacity and quality match market requirements.

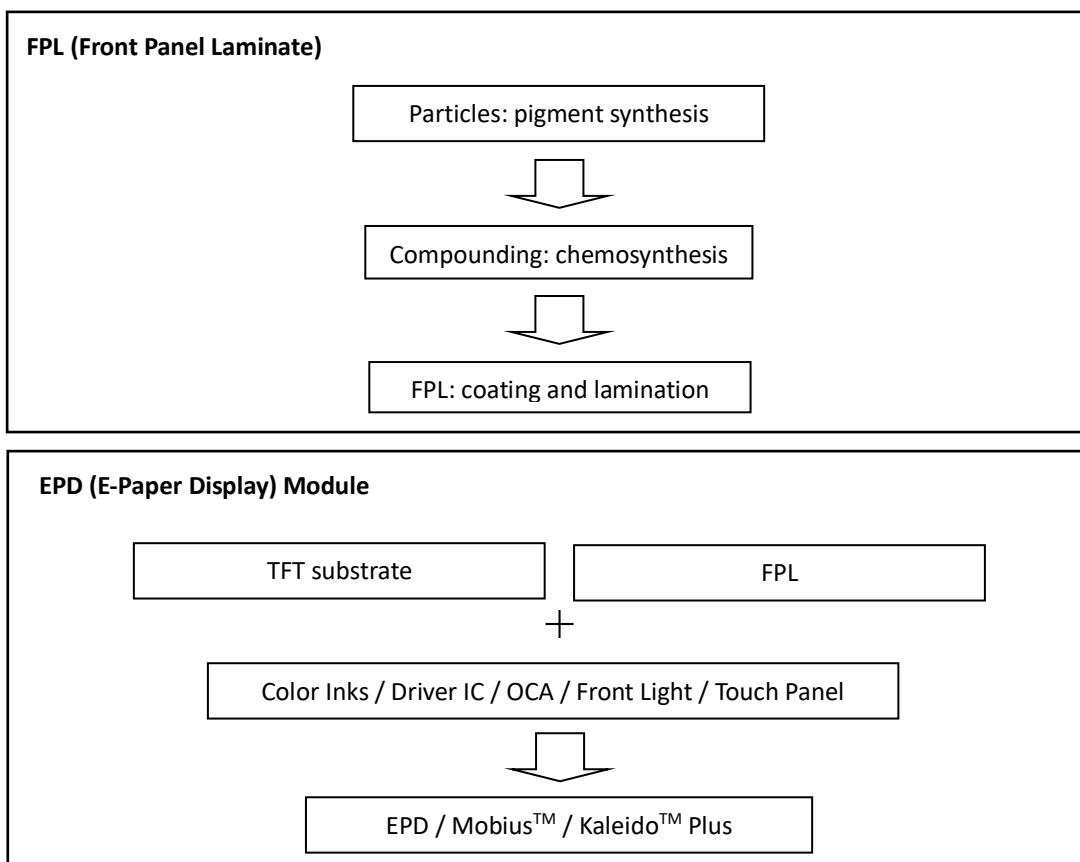
5.2.6 Application and production processes of key products

1. Application

ePaper Display is primarily used as a display device designed for the delivery/presentation of information.

2. Production process

The ePaper Display production process is divided into two parts, Front Panel Lamination (FPL) and ePaper Display (EPD). FPL is where micron-sized color particles are chemically synthesized then applied through a Roll-to-Roll (R2R) process. For EPD production, FPL, TFT substrate and other electronic components, including driver IC, optical membrane, and touch panel are laminated together. The resultant EPD’s optical and other characteristics are then inspected, tested and measures.



5.2.7 Supply status of key raw materials

E Ink's primary raw materials include TFT back panel, touch panel and driver IC. Each of these raw materials is sourced from no less than two primary suppliers. The Company has maintained a close relationship to ensure steady material supply after the raw materials have been accredited to pertinent standards and requirements. In addition to ensuring an adequate supply of materials, E Ink has also implemented stringent measures for quality and delivery to 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	2019				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	1,053,529	16	None	A	1,080,971	16	None
2	D	666,407	10	None	E	776,419	11	Associate
3	E	575,542	9	Associate	D	670,848	10	None
4	Others	4,333,666	65		Others	4,364,108	63	
	Total	6,629,144	100		Total	6,892,346	100	

B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Year Item	2019				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	3,211,841	24	None	I	3,272,851	21	None
2	P	2,052,854	15	None	P	2,338,399	15	None
3	F	2,513,417	18	None	F	2,041,121	13	None
4	Others	5,823,564	43		Others	7,710,484	51	
	Net Sales	13,601,676	100		Net Sales	15,362,855	100	

5.2.9 Production in the Last Two Years

Unit: NT\$ thousands

Output Major Products	Year	2019			2020		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Monitors		39,595	17,385	7,115,273	37,917	20,536	7,188,841

5.2.10 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales Major Products	Year	2019				2020			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Monitors		727	1,181,943	23,535	12,419,733	1,003	1,307,137	41,835	14,055,718

5.3 Human Resources

Year		2019	2020	As of April 24, 2021
Number of Employees	Manager level	352	345	348
	IDL(non-manager)	1,125	1,055	1,083
	DL	998	657	672
	Total	2,475	2,057	2,103
Average Age		35.84	39.40	36.46
Average Years of Service		6.51	7.69	8.27
Education	Ph.D.	3.8%	4.47%	4.52%
	Masters	18.1%	21.97%	22.25%
	Bachelor's Degree	38.9%	45.41%	46.36%
	Senior High School	33.7%	15.65%	15.55%
	Below Senior High School	5.4%	12.50%	11.32%

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 group life, accident, medical and cancer-prevention insurance, national health insurance and regular health exams to provide them with additional layers of protection.
- (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 channels of advancement are provided for outstanding personnel.
- (7) Regular labor-management meetings are convened to communicate with employees.

2. Employee education and training

E Ink employees are considered the company's most important asset. A strong emphasis is placed on the cultivation and training of talent. Various education and training systems 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 own skills through education and training. The overall quality of company personnel will continue to increase.

E Ink plans to introduce an "e-Learning System"(E Ink University) that will develop a training map for people in each field and provide them with specialized training plans in 2018. The training courses will be divided into the six main categories:

- (1) Orientation course: Compulsory training for everyone in the company. The contents cover introduction to the company, corporate image, company products and principles, personnel management rules, employee benefits, business code of conduct (theory) and industrial safety education & 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 competitiveness of the organization through talent development. Use e-learning platform for knowledge management and combined them with internal professional training conducted by each unit to pass on past experience and build an environment for continuous learning.
- (4) Management course: Design management training targeted at management weaknesses based on the results of performance evaluations. The education and training will include: innovative thinking, management skills, strategic goal management, unit performance management and execution management.
- (5) Group English course: To improve the ability of employees to communicate internationally in English, English requirements for promotions, group courses and TOIEC exam subsidies were integrated to create an environment conducive to English learning.
- (6) Production line personnel training: Provide technicians on the production line with the knowledge they need as well as the necessary exams to ensure they are licensed to operate the machinery. These include: Introduction to FPL/TFT/EPD Defects, front-end/back-end machine operations and certification training, training on ionizing free radiation, electro-static (ESD) prevention management, 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:

The measures and rules regarding the implementation of labor relations shall be carried out in accordance with the relevant laws.

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 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, 2021
		2016	2017	2018	2019	2020 (Note 2)	
Current assets		5,811,675	7,259,317	6,919,381	6,469,248	6,892,369	Not Applicable
Property, Plant and Equipment		1,511,731	1,435,385	1,376,998	1,330,352	1,314,914	
Intangible assets		198,165	209,607	254,224	246,717	236,373	
Other non-current assets		25,291,037	25,327,895	26,783,798	29,620,847	33,323,494	
Total assets		32,812,608	34,232,204	35,334,401	37,667,164	41,677,150	
Current liabilities	Before distribution	5,666,215	7,194,655	7,259,294	7,695,999	10,175,031	
	After distribution	7,346,917	9,048,205	9,632,732	9,964,725	13,237,810	
Non-current liabilities		56,378	105,051	146,462	971,026	993,509	
Total liabilities	Before distribution	5,722,593	7,299,706	7,405,756	8667,025	11,168,540	
	After distribution	7,403,295	9,153,256	9,779,194	10,935,751	14,231,319	
Total equity		27,090,015	26,932,498	27,928,645	29,000,139	30,508,610	
Capital stock		11,404,677	11,404,677	11,404,677	11,404,677	11,404,677	
Share capital		10,071,683	10,108,119	10,243,293	10,306,993	10,310,536	
Retained earnings	Before distribution	5,485,499	5,621,362	6,721,050	7,428,382	8,760,870	
	After distribution	3,804,797	3,767,812	4,347,612	5,159,656	5,698,091	
Other equity		488,620	106,609	(255,475)	(29,881)	142,559	
Treasury shares		(360,464)	(308,269)	(184,900)	(110,032)	(110,032)	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	27,090,015	26,932,498	27,928,645	29,000,139	30,508,610	
	After distribution	25,409,313	25,078,948	25,555,207	26,731,413	27,445,831	

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

Note 2: The appropriations of earnings for 2020 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, 2021 (Note 2)
		2016	2017	2018	2019	2020 (Note 3)	
Current assets		14,707,222	17,747,740	18,870,925	21,634,060	21,914,321	19,777,194
Property, Plant and Equipment		5,319,822	4,752,982	4,521,441	4,104,317	4,075,910	4,305,096
Intangible assets		9,178,475	8,591,789	8,526,053	8,107,841	7,662,987	7,554,822
Other non-current assets		4,208,044	4,783,409	4,995,689	7,774,731	12,147,415	17,431,433
Total assets		33,413,563	35,875,920	36,914,108	41,620,949	45,800,633	49,068,545
Current liabilities	Before distribution	5,143,950	6,871,552	6,569,117	9,206,675	11,564,821	16,031,795
	After distribution	6,824,652	8,725,102	8,942,555	11,475,401	14,627,600	-
Non-current liabilities		1,180,474	1,777,473	2,030,547	2,961,490	3,191,039	3,027,649
Total liabilities	Before distribution	6,324,424	8,649,025	8,599,664	12,168,165	14,755,860	19,059,444
	After distribution	8,005,126	10,502,575	10,973,102	14,436,891	17,818,639	-
Total equity attributable to owners of the company		27,090,015	26,932,498	27,928,645	29,000,139	30,508,610	29,480,812
Share capital		11,404,677	11,404,677	11,404,677	11,404,677	11,404,677	11,404,677
Capital surplus		10,071,683	10,108,119	10,243,293	10,306,993	10,310,536	10,310,536
Retained earnings	Before distribution	5,485,499	5,621,362	6,721,050	7,428,382	8,760,870	6,864,920
	After distribution	3,804,797	3,767,812	4,347,612	5,159,656	5,698,091	-
Other equity		488,620	106,609	(255,475)	(29,881)	142,559	1,010,711
Treasury shares		(360,464)	(308,269)	(184,900)	(110,032)	(110,032)	(110,032)
Non-controlling interests		(876)	294,397	385,799	452,645	536,163	528,289
Total equity	Before distribution	27,089,139	27,226,895	28,314,444	29,452,784	31,044,773	30,009,101
	After distribution	25,408,437	25,373,345	25,941,006	27,184,058	27,981,994	-

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

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

Note 3: The appropriations of earnings for 2020 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, 2021
		2016	2017	2018	2019	2020	
Operating revenue		13,112,855	13,905,359	12,773,679	12,860,810	14,365,868	Not Applicable
Gross profit		1,740,245	2,648,799	2,191,574	2,145,456	3,031,007	
Income from operations		130,769	934,774	256,550	94,492	962,813	
Non-operating income and expenses		1,830,786	1,297,179	2,410,833	3,041,011	2,841,688	
Income before income tax		1,961,555	2,231,953	2,667,383	3,135,503	3,804,501	
Net income for the year		1,907,939	2,078,065	2,613,673	3,083,789	3,602,589	
Other comprehensive income (loss) (net of income tax)		(601,356)	(387,910)	(377,654)	222,575	169,634	
Total comprehensive income for the year		1,306,583	1,690,155	2,236,019	3,306,364	3,772,223	
Earnings per share (Note 2)		1.69	1.85	2.32	2.72	3.18	

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, 2021 (Note 3)
		2016	2017	2018	2019	2020	
Operating revenue		14,006,206	15,203,334	14,208,661	13,601,676	15,362,855	4,435,764
Gross profit		5,120,546	6,284,416	5,930,176	6,038,586	7,021,881	2,212,018
Income from operations		60,588	1,102,387	457,165	559,811	1,847,252	968,053
Non-operating income and expenses		2,347,936	2,235,624	2,802,103	3,161,656	2,392,701	389,649
Income before income tax		2,408,524	3,338,011	3,259,268	3,721,467	4,239,953	1,357,702
Net income from continuing operations		2,057,909	2,932,298	2,692,076	3,173,597	3,673,688	1,181,654
Loss from discontinued operations		(64,588)	(849,968)	-	-	-	-
Net income for the year		1,993,321	2,082,330	2,692,076	3,173,597	3,673,688	1,181,654
Other comprehensive income (loss) (net of income tax)		(591,333)	(368,115)	(380,558)	199,613	181,826	845,453
Total comprehensive income for the year		1,401,988	1,714,215	2,311,518	3,373,210	3,855,514	2,027,107
Net income attributable to owners of the company		1,907,939	2,078,065	2,613,673	3,083,789	3,602,589	1,166,829
Net income attributable to non-controlling interests		85,382	4,265	78,403	89,808	71,099	14,825
Total comprehensive income attributable to owners of the company		1,306,583	1,690,155	2,236,019	3,306,364	3,772,223	2,034,981
Total comprehensive income (loss) attributable to non-controlling interests		95,405	24,060	75,499	66,846	83,291	(7,874)
Earnings per share (Note 2)		1.69	1.85	2.32	2.72	3.18	1.03

Note 1: Below 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: Below 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
2016	Deloitte Touche Tohmatsu Limited	Ya-ling Weng / Chih-Ming Shao	unqualified opinion
2017	Deloitte Touche Tohmatsu Limited	Ya-ling Weng / Chih-Ming Shao	unqualified opinion
2015	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

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, 2021
		2016	2017	2018	2019	2020		
Financial structure (%)	Debt Ratio	17.44	21.32	20.96	23.01	26.8	Not applicable	
	Ratio of long-term capital to property, plant and equipment	1,795.72	1,883.64	2,038.86	2,252.87	2,395.76		
Solvency (%)	Current ratio	102.57	100.9	95.32	84.06	67.74		
	Quick ratio	84.73	72.88	70.64	61.54	50.39		
	Interest earned ratio (times)	117.73	229.42	187.41	83.98	74.45		
Operating performance	Accounts receivable turnover (times)	3.74	3.34	3.04	3.41	3.62		
	Average collection period	98	110	121	107	101		
	Inventory turnover (times)	12.87	7.95	5.89	6.42	6.76		
	Accounts payable turnover (times)	2.47	2.06	2.07	2.76	3.04		
	Average days in sales	29	46	62	57	54		
	Property, plant and equipment turnover (times)	7.99	9.44	9.08	9.50	10.86		
	Total assets turnover (times)	0.4	0.41	0.37	0.35	0.36		
Profitability	Return on total assets (%)	5.82	6.22	7.55	8.53	9.19		
	Return on stockholders' equity (%)	7.1	7.69	9.53	10.83	12.11		
	Pre-tax income to paid-in capital (%)	17.2	19.57	23.39	27.49	33.36		
	Profit ratio (%)	14.55	14.94	20.46	23.98	25.08		
	Earnings per share (NT\$)	1.69	1.85	2.32	2.72	3.18		
Cash flow	Cash flow ratio (%)	14.40	12.12	0.61	-0.91	15.53		
	Cash flow adequacy ratio (%)	14.18	-22.71	10.42	8.42	29.45		
	Cash reinvestment ratio (%)	0.79	-2.37	-5.15	-6.72	-1.85		
Leverage	Operating leverage	3.27	1.29	2.10	4.39	1.31		
	Financial leverage	1.14	1.01	1.06	1.67	1.06		
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</p> <p>(1) The increase in pre-tax income to paid-in capital was due to the increase in operating income.</p> <p>(2) The increase in cash flow ratios were due to the increase in working capital.</p> <p>(3) The reduction in degree of operating leverage was due to the increase in operating income.</p> <p>(4) The reduction in degree of financial leverage was due to the increase in operating income.</p>								

B. Consolidated Financial Analysis — Consolidated-Based on IFRS

Item		Year	Financial Analysis for the Last Five Years					As of March 31, 2021
			2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio		18.93	24.11	23.3	29.24	32.22	38.84
	Ratio of long-term capital to property, plant and equipment		531.42	604.04	662.60	778.73	826.80	755.12
Solvency (%)	Current ratio		285.91	258.28	287.27	234.98	189.49	123.36
	Quick ratio		252.83	223.88	253.08	211.80	169.87	106.86
	Interest earned ratio (times)		76.18	103.14	114.94	46.94	39.34	60.28
Operating performance	Accounts receivable turnover (times)		8.77	8.36	6.68	6.32	8.91	11.57
	Average collection period		42	44	55	58	41	32
	Inventory turnover (times)		6.15	4.95	4.07	3.91	4.19	4.01
	Accounts payable turnover (times)		8.22	5.34	4.67	6.04	6.13	5.08
	Average days in sales		60	74	90	94	87	91
	Property, plant and equipment turnover (times)		2.37	3.02	3.06	3.15	3.76	4.23
	Total assets turnover (times)		0.42	0.44	0.39	0.35	0.35	0.37
Profitability	Return on total assets (%)		5.78	6.06	7.24	8.03	8.43	2.53
	Return on stockholders' equity (%)		7.10	7.69	9.53	10.83	12.11	3.94
	Pre-tax income to paid-in capital (%)		19.80	21.78	27.89	31.84	36.55	11.9
	Profit ratio (%)		13.62	13.67	18.39	22.67	23.45	26.64
	Earnings per share (NT\$)		1.69	1.85	2.32	2.72	3.18	1.03
Cash flow	Cash flow ratio (%)		93.87	80.26	43.44	34.16	42.52	5.69
	Cash flow adequacy ratio (%)		236.02	310.34	222.13	165.17	129.85	91.95
	Cash reinvestment ratio (%)		12.20	11.31	2.81	2.15	7.12	2.53
Leverage	Operating leverage		22.63	2.06	3.42	3.23	1.64	1.27
	Financial leverage		1.96	1.02	1.07	1.18	1.06	1.03

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

- (1) The reduction in the quick ratio was due to the increase in short-term loans and Short-term Notes Payable.
- (2) The increase in accounts receivable turnover and the reduction in average collection period were due to the increase in sales during the fourth quarter of 2020 and most accounts receivable have been collected.
- (3) The increase in the Cash flow ratio and cash reinvestment ratio were due to the increase in working capital.
- (4) The reduction in cash flow adequacy ratio was due to the increase in capital expenditure.
- (5) The reduction in degree of operating leverage was due to the increase in operating income.

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, 2020. 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 2020 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.

2021 Annual General Meeting of Stockholders Meeting

E INK HOLDINGS INC.

Convener of the Audit Committee: Po-Young Chu

Date: March 16, 2021

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, 2020	Dec. 31th, 2019	Difference	
				Amount	%
Current assets		21,914,321	21,634,060	280,261	1.30
Property, plant and equipment		4,075,910	4,104,317	(28,407)	(0.69)
Intangible assets		7,662,987	8,107,841	(444,854)	(5.49)
Other non-current assets		12,147,415	7,771,431	4,372,684	56.24
Total assets		45,800,633	41,620,949	4,179,684	10.04
Current liabilities		11,564,821	9,206,675	2,358,146	25.61
Non-current liabilities		3,191,039	2,961,490	229,549	7.75
Total liabilities		14,755,860	12,168,165	2,587,695	21.27
Share capital		11,404,677	11,404,677	0	0.00
Capital surplus		10,310,536	10,306,993	3,543	0.03
Retained earnings		8,760,870	7,428,382	1,332,488	17.94
Other equity		142,559	(29,881)	172,440	(577.09)
Treasury shares		(110,032)	(110,032)	0	0.00
Total equity attributable to owners of the Company		30,508,610	29,000,139	1,508,471	5.20
Non-controlling interests		536,163	452,645	83,518	18.45
Total equity		31,044,773	29,452,784	1,591,989	5.41
<p>Analysis of changes in financial status:</p> <p>(1) Other non-current assets increased due to the increase in financial assets.</p> <p>(2) Current liabilities increased due to increases in short-term borrowings, accounts payable, and current tax liabilities.</p> <p>(3) Retained earnings increased due to the profit increased.</p> <p>• Effect of changes on the company's financial condition: The Company's financial condition has not changed significantly.</p> <p>• Future response actions: Not applicable.</p>					

7.2 Analysis of Operation Results

(1) Financial Analysis

Unit: NT\$ thousands

Item	Year	2020	2019	Difference	
				Amount	%
Operating revenue		15,362,855	13,601,676	1,761,179	12.95
Operating costs		8,340,974	7,563,090	777,884	10.29
Gross profit		7,021,881	6,038,586	983,295	16.28
Operating expenses		5,174,629	5,478,775	(304,146)	(5.55)
Income from operations		1,847,252	559,811	1,287,441	229.98
Non-operating income and expenses		2,392,701	3,161,656	(768,955)	(24.32)
Income before income tax		4,239,953	3,721,467	518,486	13.93
Income tax expense		(566,265)	(547,870)	(18,395)	3.36
Net income for the year		3,673,688	3,173,597	500,091	15.76
Analysis of changes in financial ratios:					
(1) Operating profit increased due to change of product portfolio and increased sales.					
(2) Non-operating income and expenses decreased due to lower gain on foreign currency exchange and lower royalty 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
7,047,106	4,917,206	1,876,849	(1,256,185)	369,171	12,954,147	N/A	N/A
<p>1. Analysis of the changes in cash flows in the most recent year (2020)</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 inflow from investing activities was due to the disposal of Financial Products.</p> <p>(3) Financing activities: Net cash outflow from financing activities was due to the 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 2021 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	
			2020	2019
Plant, equipment and other	Equity fund	1,306,397	755,905	550,492

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\$2,823,170,000 in profits during 2020, up NT\$16,818,000 from 2019. 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:

The interest rate of deposits continued falling in 2020. The Company is gradually increasing more funds to other investments to ensure the effective use of funds.

2. Exchange rate:

Most of the assets and liabilities of the Company denominated in foreign currencies are in USD. The continued appreciation of Asian currencies against the USD resulted in exchange loss to the Company in 2020.

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 15%~20% 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 FPL 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.

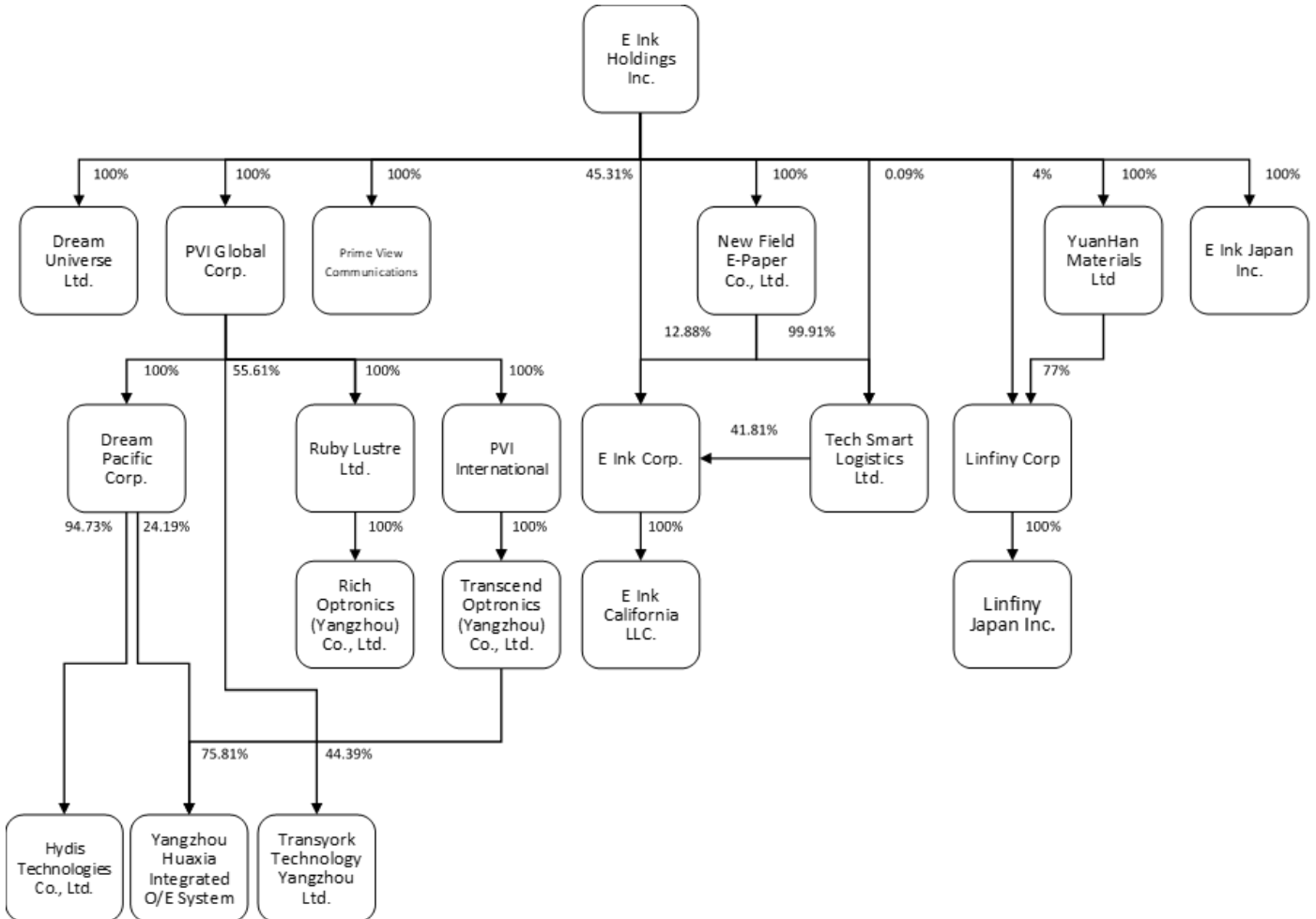
3. Continuity management and information security controls for front-end information equipment:
 - (1) The wired network is equipped with network access security controls that prevent unauthorized computers from maliciously connecting to the internal network and accessing the internal company information.
 - (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.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Summary of Affiliated Companies

December 31, 2020



8.1.2 Basic Information of Affiliated Companies

December 31, 2020/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, development and sale 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	3,570 (HK\$'000)	Trading
Tech Smart Logistics Ltd.	2002.12.11	Palm Grove House, P.O.BOX 438, Road Town, Tortola, British Virgin Islands	151,550 (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
Yangzhou Huaxia Integrated O/E System Co., Ltd.	2002.11.18	No.518 South Yangzejiang Road, Yangzhou, P.R.China	18,600 (US\$'000)	Manufacture and sale of LED products
Hydis Technologies Co., Ltd.	2002.11.25	Urbanbench Building 9F, 325, Teheran-ro, Gangnam-gu, Seoul, Republic of Korea	19,967,175 (KRW'000)	Research, development and licensing of monitors
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 & development of Electronic Material
New Field e-Paper Co., Ltd.	Wholesale and sale of electronic parts	Not Applicable
Linfiny Corporation	Research, development and sale of electronic ink	Sale and 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	Sale of Parent Company's Products
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
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	Not Applicable
Hydis Technologies Co., Ltd.	Research, development and licensing of monitors	Development of Display Devices and patent licensing
Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	Manufacturing and sale of Parent Company's Products

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

Mar 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 、 Lloyd Chen	108,413,176	100%
PVI International Corp.	Director	Johnson Lee 、 Lloyd Chen	160,300,000	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	FY Gan 、 Patrick Chang	26,000,000	100%
Transcend Optronics (Yangzhou) Co., Ltd.	Director	Johnson Lee 、 Luke Chen 、 Mano Lo	-	100%
	Supervisor	Patrick Chang		
	General Manager	Peter Peng		
Rich Optronics (Yangzhou) Co., Ltd.	Director	Johnson Lee 、 Luke Chen 、 Peter Peng	-	100%
	Supervisor	Patrick Chang		
	General Manager	Peter Peng		
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Director	Johnson Lee 、 Luke Chen 、 Patrick Chang	-	-
	Supervisor	Selena Lien		
	General Manager	Patrick Chang		
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	Peter Peng		

8.1.6 Operation Overview of Affiliated Companies

As of December 31, 2020/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	5,924,915	812,871	5,112,044	0	-314	-87,620	-0.13
E Ink Corporation	US\$'000	US\$2	174,281	81,884	92,397	116,083	3,067	3,206	1,404.91
E Ink California, LLC	US\$'000	190	30,846	4,865	25,981	17,048	3,597	3,515	0.13
E Ink Japan Inc.	JP¥'000	10,000	126,246	72,333	53,913	228,089	15,114	5,716	28,580.00
PVI Global Corp.	US\$'000	108,413	540,310	3	540,307	0	-159	64,245	0.59
PVI International Corp.	US\$'000	160,300	138,268	28	138,240	0	-4	13,073	0.08
Prime View Communications Ltd.	HK\$'000	3,570	238,236	239,286	-1,050	0	-8,360	-8,242	-2.31
Tech Smart Logistics Ltd.	US\$'000	151,550	140,539	0	140,539	0	-4	-2,580	-0
Dream Universe Ltd.	US\$'000	4,050	13,504	893	12,611	0	-3	187	0.05
Ruby Lustre Ltd.	US\$'000	30,000	27,557	0	27,557	0	0	-202	-0.01
Dream Pacific International Corp.	US\$'000	26,000	327,883	2,920	324,963	0	-4	50,554	1.94
Transcend Optronics (Yangzhou) Co., Ltd.	CN¥'000	US\$160,300,000	2,158,084	1,257,552	900,532	2,170,573	55,090	91,246	N/A
Rich Optronics (Yangzhou) Co., Ltd.	CN¥'000	US\$30,000,000	179,957	152	179,805	104	-1,533	-1,249	N/A
Yangzhou Huaxia Integrated O/E System Co., Ltd. (Note2)	CN¥'000	US\$18,600,000	125,766	278,879	-153,113	0	-736	21,880	N/A
Hydis Technologies Co., Ltd.	KRW'000	19,967,175	444,894,271	63,989,176	380,905,095	0	-4,533,458	59,850,351	14,987.19
Transyork Technology Yangzhou Ltd.	CN¥'000	US\$36,931,000	192,391	2,635	189,756	0	-3,110	-2,680	N/A
Linfiny Japan Inc.	JP¥'000	20,000	186,833	95,855	90,978	388,275	18,182	7,098	1,774.50
Linfiny Corporation	NT\$'000	420,000	208,313	184,716	23,597	216,808	-47,509	-48,409	-1.15
YuanHan Materials Inc.	NT\$'000	1,838,193	7,343,449	1,887,882	5,455,567	2,534,863	977,566	1,131,086	6.15

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

Note2: Yangzhou Huaxia Integrated O/E System Co., Ltd. has completed its liquidation process in Jan 2021

8.1.7 Affiliated Parties Consolidated Financial Statements: Please refer to “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 16, 2021

The Company hereby declares the following in relation to its internal control system established in 2020 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, 2020 (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 of 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 16, 2021. 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

The Company's 2020 annual general meeting was held on June 18, 2020 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 2019 year-end accounts.	Approved.																														
(2) Acknowledgment of the Company's 2019 earnings appropriation.	Approved.																														
(3) Partial amendments to the Company's Articles of Incorporation.	Approved.																														
(4) Election of the Company's 11th board of directors, including 6 directors and 3 independent directors.	Elected directors and independent directors for the 11th board: <table border="1" data-bbox="722 1218 1390 1861"> <thead> <tr> <th data-bbox="722 1218 882 1263">Title</th> <th colspan="2" data-bbox="882 1218 1390 1263">Name</th> </tr> </thead> <tbody> <tr> <td data-bbox="722 1263 882 1330">Directors</td> <td data-bbox="882 1263 1102 1330">Aidatek Electronics, Inc.</td> <td data-bbox="1102 1263 1390 1330">Representative: Johnson Lee</td> </tr> <tr> <td data-bbox="722 1330 882 1397">Directors</td> <td data-bbox="882 1330 1102 1397">Aidatek Electronics, Inc.</td> <td data-bbox="1102 1330 1390 1397">Representative: S.C. Ho</td> </tr> <tr> <td data-bbox="722 1397 882 1464">Directors</td> <td data-bbox="882 1397 1102 1464">Aidatek Electronics, Inc.</td> <td data-bbox="1102 1397 1390 1464">Representative: Felix Ho</td> </tr> <tr> <td data-bbox="722 1464 882 1532">Directors</td> <td data-bbox="882 1464 1102 1532">Shin-Yi Enterprise Co., Ltd.</td> <td data-bbox="1102 1464 1390 1532">Representative: FY Gan</td> </tr> <tr> <td data-bbox="722 1532 882 1599">Directors</td> <td data-bbox="882 1532 1102 1599">Shin-Yi Enterprise Co., Ltd.</td> <td data-bbox="1102 1532 1390 1599">Representative: CC Tsai</td> </tr> <tr> <td data-bbox="722 1599 882 1666">Directors</td> <td data-bbox="882 1599 1102 1666">Shin-Yi Enterprise Co., Ltd.</td> <td data-bbox="1102 1599 1390 1666">Representative: Luke Chen</td> </tr> <tr> <td data-bbox="722 1666 882 1733">Independent Director</td> <td colspan="2" data-bbox="882 1666 1390 1733">Po-Young Chu</td> </tr> <tr> <td data-bbox="722 1733 882 1800">Independent Director</td> <td colspan="2" data-bbox="882 1733 1390 1800">Donald Chang</td> </tr> <tr> <td data-bbox="722 1800 882 1868">Independent Director</td> <td colspan="2" data-bbox="882 1800 1390 1868">Shi-Chern Yen</td> </tr> </tbody> </table>	Title	Name		Directors	Aidatek Electronics, Inc.	Representative: Johnson Lee	Directors	Aidatek Electronics, Inc.	Representative: S.C. Ho	Directors	Aidatek Electronics, Inc.	Representative: Felix Ho	Directors	Shin-Yi Enterprise Co., Ltd.	Representative: FY Gan	Directors	Shin-Yi Enterprise Co., Ltd.	Representative: CC Tsai	Directors	Shin-Yi Enterprise Co., Ltd.	Representative: Luke Chen	Independent Director	Po-Young Chu		Independent Director	Donald Chang		Independent Director	Shi-Chern Yen	
	Title	Name																													
	Directors	Aidatek Electronics, Inc.	Representative: Johnson Lee																												
	Directors	Aidatek Electronics, Inc.	Representative: S.C. Ho																												
	Directors	Aidatek Electronics, Inc.	Representative: Felix Ho																												
	Directors	Shin-Yi Enterprise Co., Ltd.	Representative: FY Gan																												
	Directors	Shin-Yi Enterprise Co., Ltd.	Representative: CC Tsai																												
	Directors	Shin-Yi Enterprise Co., Ltd.	Representative: Luke Chen																												
	Independent Director	Po-Young Chu																													
Independent Director	Donald Chang																														
Independent Director	Shi-Chern Yen																														
(5) Proposal to remove restrictions on competing business involvement for new directors and their representatives	Approved.																														

(2) Important resolutions of the board of directors

The company convened 7 times of the board of directors meetings in 2020 and as of the printing date. The important resolutions are as follows:

Date of board meeting	Session	Resolution
2020.3.18	17th meeting of the 10th board	<ol style="list-style-type: none"> 1. Proposal to allocate employee and director remuneration from 2019 profits, and to determine details including the payment method and eligible payees 2. Preparation of the Company's 2019 year-end accounts 3. Proposal of the Company's 2019 earnings appropriation 4. Presentation of the Company's 2019 "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 amend Levels of Approval Authority of the Company 8. Proposal for partial amendments to Board of Directors Conference Rules 9. Compensation for the Company's Chairman 10. Compensation for the Company's President 11. Discussion for the time, venue, and agenda of the Company's 2020 annual general meeting
2020.5.7	18th meeting of the 10th board	<ol style="list-style-type: none"> 1. Proposal to apply for credit limits with banking partners 2. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 3. Proposal for partial amendments to the Company's Articles of Incorporation 4. Proposal to have the board of directors nominate director (and independent director) candidates for the 11th board 5. Proposal to seek resolution in annual general meeting to remove restrictions on competing business involvement for the 11th board of directors (including corporate directors and their representatives) 6. Proposal to add discussions to the 2020 annual general meeting agenda
2020.6.18	1st meeting of the 11th board	<ol style="list-style-type: none"> 1. Election of Chairman for the 11th board of directors 2. Appointment of members for the Company's 4th Remuneration Committee 3. Proposal to remove restrictions imposed against the Company's President for involving in competing businesses
2020.8.10	2nd meeting of the 11th board	<ol style="list-style-type: none"> 1. Proposal to apply for credit limits with banking partners 2. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 3. Proposal to source medium-term working capital by engaging Mega International Commercial Bank as the lead arranger of a 5-year syndicated loan 4. Proposal of auditor remuneration for 2020 5. Proposal to expand production capacity of FPL at the Company's Hsinchu Plant
2020.11.4	3rd meeting of the 11th board	<ol style="list-style-type: none"> 1. 2020 salary adjustment 2. 2020 salary adjustment for managers of Assistant Vice President grade and above 3. Presentation of the Company's 2021 "Audit Plan" 4. Amendments to the Company's "Shareholders Conference Rules" 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
2020.12.17	4th meeting of the 11th board	<ol style="list-style-type: none"> 1. Presentation of the Company's 2021 operational plan and budget 2. Establishment of the Company's "Issuance and Subscription Policy for 2020 Employee Warrant" 3. Proposal to apply for credit limits with banking partners 4. Proposal to designate the Company as co-drawer for subsidiary's credit limits maintained with banking partners 5. Proposal to expand production lines 2 and 3 for FPL at the Company's Hsinchu Plant
2021.03.16	5th meeting of the 11th board	<ol style="list-style-type: none"> 1. Preparation 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 "Rules of Procedure for Shareholders' Meetings" 10. Proposal for partial amendments to the Company's "Procedures of Acquisition or Disposal of Assets" 11. Proposal for partial amendments to the Company's Accounting System 12. Discussion for the time, venue, and agenda of the Company's 2021 annual general meeting

8.8 Board Diversity Policy

Title	Name	Gender	Concurrently Serving as the Company's manager	Age				specialty	Education	Experience
				40-50	50-60	60-70	70 and over			
Chairman	Johnson Lee, Representative of Aidatek Electronics Inc.	M	V	V				Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	BA/BS in Economics and Electrical Engineering, Tufts University, USA.	Chairman, E Ink Holdings Inc. Chairman / Director , Affiliated Parties of EIH Chairman, ICM Communications Inc. Director,Shin Lung Natural Gas Co. Boardtek electronics corporation Director,Yilong Gas Co., Ltd. Observer, SES Imagotag SA Observer, SigmaSense LLC
Director	S.C. Ho, Representative of Aidatek Electronics Inc.	M					V	Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	MS in Mechanical Engineering, University of Wisconsin, USA.	Director, E Ink Holdings Inc. Director, Shin-Yi Enterprise Co., Ltd. Chairman, Shin-Yi Investment Co., Ltd. Director, Shin-Yi Recreation Co., Ltd. Director, YFY Inc. Director, E Ink Corporation Director,YFY Jupiter (BVI) Inc. Director, Chung Hwa Pulp Corporation Director, TaiGen Biotechnology Co., Ltd. Director, TaiGen Biopharmaceuticals Holdings Ltd. Director, San Ying Enterprise Co., Ltd. Director, China Color Printing Co., Ltd. Director, Cupid Infotech Co.,Ltd. Director, EFFION Enertech Co., Ltd. Director, YFY Biotechnology Co., Ltd. Director, Shen's Art Print Co., Ltd. Director, Sustainable Carbohydrate Innovation Company Limited Director, YFY Biotech Management Company Executive Director, China Investment and Development Co., Ltd. Director, Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd. Director, Yuen Foong Yu Consumer Products Investment Ltd Director, Yuen Foong International (Samoa) Ltd. Director, YFY Japan Co., Ltd. Director, Artone Investment (H.K.) Ltd. Director, Artone Specialties Co., Ltd. Director, Hsinex International Corp. Director, Taitung Enterprise Co. 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, YF Chemical Co., Ltd. Director, SinoCell Technologies Co., Ltd. Chairman, Fu Hwa Enterprise Co., Ltd. Director, HuaDong Industrial Co., Ltd. Director, Synmax Biochemical Co., Ltd. Executive Shareholder, Ho Jei Lai Kosan Unlimited Company Director, Shin-Yi Holding Inc. Director, Hsin Yi Foundation Chairman, Shang Shan Human Culture Foundation Director, Liver Disease Prevention & Treatment Research Foundation Director, Eisenhower Foundation of the Republic of China Director, Yuan T. Lee Foundation Science Education for All Director, Foundation for the Advancement of Outstanding Scholarship
Director	Felix Ho, Representative of Aidatek Electronics Inc.	M		V				Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	MA in Financial Management, MIT Sloan School of Management	Director, E Ink Holdings Inc. Chairman, YFY Inc. Director, Jupiter Prestige Group Holding Limited Chairman, Willpower Industries Limited Director, Yuen Foong Yu Paper Enterprise (Vietnam) Company Limited Chairman, YFY Jupiter(BVI) Inc. Director, YFY Biopulp Technology Ltd. Director, YFY RFID Co. Limited Director, Chung Hwa Pulp Corporation Director, YFY PACKAGING INC. Chairman, Yuen Foong Yu Consumer Products Co., Ltd. Chairman, Ever Growing Agriculture Bio-tech Co., Ltd. Chairman, Yuen Foong Shop Co., Ltd. Director, Livebricks Inc. Director, Aidatek Electronics, Inc.

Title	Name	Gender	Concurrently Serving as the Company's manager	Age				specialty	Education	Experience
				40-50	50-60	60-70	70 and over			
									Director, eCrowd Media Inc. Chairman, Arizon RFID Technology Co., Ltd. Director, Arizon Japan Co., Ltd. Director, YFY Packaging (YangZhou) Investment Co., Ltd. Director, Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd. Chairman, YFY Investment Co., Ltd. Director, YFY Mauritius Corp. Director, Yuen Foong Yu Consumer Products Investment 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, Chen Yu Co., Ltd. Independent director, Universal Cement Corporation Supervisor, Eisenhower Foundation of the Republic of China Chairman, Epoch Foundation Chairman, Taiwan Paper Industry Association Director, Monte Jade Taiwan Science & Tech Association Chairman, Association of Corporate Patent Executives	
Director	FY Gan, Representative of Shin-Yi Enterprise Co., Ltd.	M	V		V		Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	PhD in Electrical Engineering, McGill University, Canada	General manager, E Ink Holdings Inc. Director or President of E Ink subsidiaries Associate Vice President, AU Optronics corp.	
Director	Luke Chen, Representative of Shin-Yi Enterprise Co., Ltd.	M	V		V		Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	MEng in Electrical Engineering and Industrial Engineering, New Mexico State University	Executive Vice President, E Ink Holdings Inc. Director of E Ink subsidiaries Executive Vice President, NingBo Chi Hsin Electronics Co Ltd Executive Vice President, TopSun Optronics, Inc Director of LCM Engineering Office, Quanta Display Inc.	
Director	CC Tsai, Representative of Shin-Yi Enterprise Co., Ltd.	F				V	Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	PhD, University of Chicago	Scientific Advisor, E Ink Holdings Inc. Director of E Ink subsidiaries Professor, Department of Photonics and Institute of Display, National Chiao Tung University Senior Vice President, Quanta Display Inc. CTO, E Ink Holdings Inc.	
Independent director	Po-Young Chu	M				V	Lecturer or a higher post at a public/private university/college in the field of commerce, law, finance, accounting, or another subject relevant to the Company's operations	PhD, Purdue University	Independent director, Pharmadax Inc. Independent director, TSTI Independent director, Eastern International Ad. Professor, Department of Management Science, National Chiao Tung University	
Independent director	Shi-Chern Yen	M				V	Lecturer or a higher post at a public/private university/college in the field of commerce, law, finance, accounting, or another subject relevant to the Company's operations	PhD in Chemical Engineering, University of Wisconsin	Professor of the Department of Chemical Engineering, National Taiwan University Director of the Department of Chemical Engineering, National Taiwan University Deputy Director of the Green Energy Institute of the Industrial Technology Research Institute	
Independent director	Donald Chang	M				V	Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	Bachelor of Chemical Engineering from Cultural University	Independent director, CHUNG HWA PULP CORP. Director, Advantech Co., Ltd. President of 3M Greater China	

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

Item	Notes																		
The scope of authority of the chief governance officer	<p>A dedicated position was established by the Company to manage all corporate governance affairs. The scope of authority includes:</p> <ol style="list-style-type: none"> I. Organize Board meetings in accordance with the law. II. Production of Board meeting minutes. III. Assist with the appointment and continuing education for directors and independent directors. IV. Provide directors and independent directors with the information necessary to carry out their duties. V. Assist directors and independent directors with compliance. VI. Any other matters set out in the Company articles of incorporation, are those approved a resolution of the Board. 																		
Business Highlights during the Year	<p>(I) Organizing of Board meetings and regulatory compliance:</p> <ol style="list-style-type: none"> (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. <p>(II) Provide directors and independent directors information with the education they need and arrange for their continuing education.</p> <ol style="list-style-type: none"> (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. 																		
Status of continuing education	<p>Status of continuing education in 2020</p> <p>The corporate governance officer completed up to 15 hours of courses related to corporate governance in 2020. These courses are detailed below:</p> <table border="1" data-bbox="499 1518 1399 2051"> <thead> <tr> <th data-bbox="499 1518 770 1585">Organizer</th> <th data-bbox="770 1518 1265 1585">Name of course</th> <th data-bbox="1265 1518 1399 1585">Training hours</th> </tr> </thead> <tbody> <tr> <td data-bbox="499 1585 770 1686">Taiwan Corporate Governance Association</td> <td data-bbox="770 1585 1265 1686">Corporate governance and case study - Corporate culture and shareholder activism (9/11)</td> <td data-bbox="1265 1585 1399 1686">3</td> </tr> <tr> <td data-bbox="499 1686 770 1787">Taiwan Corporate Governance Association</td> <td data-bbox="770 1686 1265 1787">Corporate risk management compliance in practice (9/15)</td> <td data-bbox="1265 1686 1399 1787">3</td> </tr> <tr> <td data-bbox="499 1787 770 1854">Taipei Exchange</td> <td data-bbox="770 1787 1265 1854">Corporate Governance 3.0 - Sustainable Development Roadmap (9/21)</td> <td data-bbox="1265 1787 1399 1854">3</td> </tr> <tr> <td data-bbox="499 1854 770 1955">Taiwan Corporate Governance Association</td> <td data-bbox="770 1854 1265 1955">Case-based introduction to related party transaction and non-arm's length transactions (9/25)</td> <td data-bbox="1265 1854 1399 1955">3</td> </tr> <tr> <td data-bbox="499 1955 770 2051">Taiwan Corporate Governance Association</td> <td data-bbox="770 1955 1265 2051">Ten essential classes in corporate governance (11/5)</td> <td data-bbox="1265 1955 1399 2051">3</td> </tr> </tbody> </table>	Organizer	Name of course	Training hours	Taiwan Corporate Governance Association	Corporate governance and case study - Corporate culture and shareholder activism (9/11)	3	Taiwan Corporate Governance Association	Corporate risk management compliance in practice (9/15)	3	Taipei Exchange	Corporate Governance 3.0 - Sustainable Development Roadmap (9/21)	3	Taiwan Corporate Governance Association	Case-based introduction to related party transaction and non-arm's length transactions (9/25)	3	Taiwan Corporate Governance Association	Ten essential classes in corporate governance (11/5)	3
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8.10 The table below shows the controls of identified and captured risks within the organization

Operational Risk Category	Item	Risk Description	Degree of Impact	Frequency of Occurrence	Control Strategy
Continual operation	Compliance	Fluctuations in global politics, economy, and industry trends would indirectly influence relevant environmental and trade regulations/requirements that could, in turn, impact the Company's costs and profits	High	Low	Foster the Company's response capabilities to ensure continual operation.
Product technologies	Technological R&D	The development of innovative technologies can facilitate business development for the value chain by driving up the profit margin from product distribution and strengthen the Company's core competitiveness	High	High	Product differentiation, refinement of technological quality to boost the competitive edge of our products; strategic alliance and collaborations.
Financial Risk	Foreign Exchange Risk	This is because we use foreign currencies (mainly USD) in export trade.	High	Medium	1. Keep track on the exchange rate change and enhance capital utilization efficiency. 2. Offset with income and expense for the short run, and make timely hedging for new capital demand with long-term foreign currency loan or forward exchange.
	Group Capital Utilization Efficiency	Potentially ineffective fund dispatch or utilization among group members resulting from potential foreign exchange control or taxation consideration.	Medium	Low	1. Periodically analyze the financial structure of group members. 2. Monitor the value of the company's financial assets in real time to strengthen capital dispatch among the group members and enhance the capital utilization efficiency.
Manufactured Risk	Supply Risk	Supply risk from concentration of supply, such as supply shortages due to the under capacity of suppliers, accidents to the plant, or natural disasters. Currently, we have established the "Business Continuity Management Regulations."	Low	Low	1. Review the inventory of various raw materials weekly to determine optimal stock planning. 2. Carefully assess suppliers and aggressively cultivate supply sources.
	Rapid changes in supply and demand	Rapid changes in supply and demand could lead to an increase in stock and warehousing costs or loss of customers due to under production.	Medium	Medium	Plan and simulate various production sales situations based on purchase order estimation to dynamically adjust the production plan.
Information System Risk	Confidential Information Leakage	Theft, tampering, damage, loss, or leakage of trade secrets, patents, and research and development data.	Medium	Low	Strengthen the security of IT equipment firewalls, anomaly management, and reporting and detection mechanism
ESH Risk	Disaster Risk	To prevent various disasters from causing critical business interruptions, we have established the "Business Continuity Management Regulations" and the disaster response team to achieve business continuity.	Medium	Low	1. Establish standard operating procedures and arrange employee education and training periodically. 2. Update hardware protection and conduct inspections periodically
	Environmental Stewardship	To comply with the national policy, laws, and regulations, and to achieve sustainable development of the ecology, relevant units should reduce the emission of various GHGs and promote environmental stewardship. In addition, they should pay attention to the change in important policies and laws to adjust the company's internal system and business activities to ensure sustainable development of the ecology.	Low	Low	Reduce air pollutant emissions and wastewater discharge. Reinforce water saving and wastewater recovery. Control the use of recyclable materials.

E Ink Holdings Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 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, 2020 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 prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

E INK HOLDINGS INC.

By

JOHNSON, LEE
Chairman

March 16, 2021

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, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The key audit matter for the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

Sales Revenue - Recognition of Sales Revenue of Electronic Shelf Labels Products

The Group mainly sells products, such as monitors and electronic shelf labels, which were affected by the changes in the end-market demand due to the COVID-19 pandemic this year. The Group adjusted its product assortment to increase the overall gross profit margin and consequently increased the risk of the occurrence of sales revenue transactions from electronic shelf label products, which carried high gross profit margin. Therefore, the recognition of sales revenue of electronic shelf label 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 of electronic shelf label products.
2. We sampled the sales details of electronic shelf label products, inspected receipts signed by the customers or export declaration of overseas sales, and confirmed the receipt of payments.
3. We inspected subsequent significant sales returns and allowances.

Other Matter

We have also audited the financial statements of E Ink Holdings Inc. as of and for the years ended December 31, 2020 and 2019, 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, 2020, 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 16, 2021

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash and cash equivalents (Note 6)	\$ 12,954,147	28	\$ 7,047,106	17
Financial assets at fair value through profit or loss (Note 7)	1,999,208	4	2,455,299	6
Financial assets at amortized cost (Notes 9 and 30)	3,081,651	7	7,526,246	18
Contract assets (Note 21)	46,900	-	60,088	-
Accounts receivable (Notes 10, 21 and 29)	1,389,905	3	2,059,829	5
Other receivables	141,045	-	216,253	1
Current tax assets (Note 23)	14,043	-	22,011	-
Inventories (Note 11)	2,040,429	5	1,941,702	5
Prepayments (Note 29)	228,528	1	192,732	-
Non-current assets held for sale (Note 12)	9,342	-	109,745	-
Other current assets	9,123	-	3,049	-
Total current assets	21,914,321	48	21,634,060	52
NON-CURRENT ASSETS (Note 4)				
Financial assets at fair value through profit or loss (Note 7)	1,589,011	4	60,285	-
Financial assets at fair value through other comprehensive income (Notes 8 and 29)	6,929,647	15	4,474,517	11
Financial assets at amortized cost (Notes 9 and 30)	561,575	1	146,847	-
Investments accounted for using the equity method (Note 29)	130,046	-	147,694	-
Property, plant and equipment (Notes 14, 22, 26 and 29)	4,075,910	9	4,104,317	10
Right-of-use assets (Notes 15 and 22)	1,646,709	4	1,766,034	4
Goodwill (Note 16)	6,597,276	14	6,720,745	16
Other intangible assets (Notes 16, 22 and 29)	1,065,711	2	1,387,096	3
Deferred tax assets (Note 23)	1,131,693	3	987,282	3
Other non-current assets (Note 29)	158,734	-	192,072	1
Total non-current assets	23,886,312	52	19,986,889	48
TOTAL	\$ 45,800,633	100	\$ 41,620,949	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Short-term borrowings (Notes 17 and 30)	\$ 5,394,245	12	\$ 4,557,832	11
Short-term bills payable (Note 17)	805,612	2	579,887	1
Contract liabilities (Note 21)	1,455,670	3	1,298,608	3
Notes and accounts payable (Note 29)	1,566,068	3	1,156,039	3
Other payables (Notes 18 and 26)	1,410,737	3	1,263,755	3
Current tax liabilities (Note 23)	685,710	1	146,121	-
Other current liabilities (Notes 12, 15 and 29)	246,779	1	204,433	1
Total current liabilities	11,564,821	25	9,206,675	22
NON-CURRENT LIABILITIES (Note 4)				
Long-term borrowings (Note 17)	63,000	-	-	-
Contract liabilities (Note 21)	351,361	1	1,024,259	3
Deferred tax liabilities (Note 23)	88,468	-	120,854	-
Lease liabilities (Notes 15 and 29)	1,617,605	4	1,721,654	4
Deferred revenue (Note 12)	962,015	2	-	-
Net defined benefit liabilities (Note 19)	100,613	-	87,600	-
Other non-current liabilities (Note 29)	7,977	-	7,123	-
Total non-current liabilities	3,191,039	7	2,961,490	7
Total liabilities	14,755,860	32	12,168,165	29
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 20 and 25)				
Share capital	11,404,677	25	11,404,677	27
Capital surplus	10,310,536	23	10,306,993	25
Retained earnings	8,760,870	19	7,428,382	18
Other equity	142,559	-	(29,881)	-
Treasury shares	(110,032)	-	(110,032)	-
Total equity attributable to owners of the Company	30,508,610	67	29,000,139	70
NON-CONTROLLING INTERESTS (Note 20)	536,163	1	452,645	1
Total equity	31,044,773	68	29,452,784	71
TOTAL	\$ 45,800,633	100	\$ 41,620,949	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, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 29)	\$ 15,362,855	100	\$ 13,601,676	100
OPERATING COSTS (Notes 11, 22 and 29)	<u>8,340,974</u>	<u>54</u>	<u>7,563,090</u>	<u>56</u>
GROSS PROFIT	<u>7,021,881</u>	<u>46</u>	<u>6,038,586</u>	<u>44</u>
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	634,217	4	755,050	6
General and administrative expenses	2,073,614	14	2,349,323	17
Research and development expenses	<u>2,466,798</u>	<u>16</u>	<u>2,374,402</u>	<u>17</u>
Total operating expenses	<u>5,174,629</u>	<u>34</u>	<u>5,478,775</u>	<u>40</u>
INCOME FROM OPERATIONS	<u>1,847,252</u>	<u>12</u>	<u>559,811</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 22)	239,773	2	337,373	3
Royalty income (Notes 4 and 21)	1,891,237	12	2,240,251	16
Dividend income	283,972	2	184,437	1
Gain on disposal of land use rights (Note 12)	-	-	153,500	1
Gain on disposal of non-current assets held for sale (Note 12)	367,945	2	-	-
Net gain (loss) on foreign currency exchange (Note 33)	(361,237)	(2)	223,994	2
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	98,169	1	83,444	1
Other income (Note 29)	99,120	1	122,738	1
Interest expenses (Notes 14 and 29)	(103,530)	(1)	(86,085)	(1)
Other expenses (Notes 22 and 29)	<u>(122,748)</u>	<u>(1)</u>	<u>(97,996)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>2,392,701</u>	<u>16</u>	<u>3,161,656</u>	<u>23</u>
INCOME BEFORE INCOME TAX	4,239,953	28	3,721,467	27
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(566,265)</u>	<u>(4)</u>	<u>(547,870)</u>	<u>(4)</u>
NET INCOME FOR THE YEAR	<u>3,673,688</u>	<u>24</u>	<u>3,173,597</u>	<u>23</u>

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	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 19)	\$ (11,269)	-	\$ (13,576)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	279,409	2	989,618	7
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	<u>(9,536)</u>	<u>-</u>	<u>2,938</u>	<u>-</u>
	<u>258,604</u>	<u>2</u>	<u>978,980</u>	<u>7</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(74,422)	(1)	(773,206)	(5)
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	<u>(2,356)</u>	<u>-</u>	<u>(6,161)</u>	<u>-</u>
	<u>(76,778)</u>	<u>(1)</u>	<u>(779,367)</u>	<u>(5)</u>
Other comprehensive income for the year, net of income tax	<u>181,826</u>	<u>1</u>	<u>199,613</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,855,514</u>	<u>25</u>	<u>\$ 3,373,210</u>	<u>25</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,602,589	23	\$ 3,083,789	23
Non-controlling interests	<u>71,099</u>	<u>1</u>	<u>89,808</u>	<u>-</u>
	<u>\$ 3,673,688</u>	<u>24</u>	<u>\$ 3,173,597</u>	<u>23</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,772,223	25	\$ 3,306,364	24
Non-controlling interests	<u>83,291</u>	<u>-</u>	<u>66,846</u>	<u>1</u>
	<u>\$ 3,855,514</u>	<u>25</u>	<u>\$ 3,373,210</u>	<u>25</u>

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 3.18</u>		<u>\$ 2.72</u>	
Diluted	<u>\$ 3.17</u>		<u>\$ 2.71</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, 2020 AND 2019
(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, 2019	1,140,468	\$ 11,404,677	\$ 10,243,293	\$ 1,512,287	\$ 70,678	\$ 5,138,085	\$ 6,721,050	\$ (181,328)	\$ (74,147)	\$ (184,900)	\$ 27,928,645	\$ 385,799	\$ 28,314,444
Appropriation of 2018 earnings													
Legal reserve	-	-	-	261,367	-	(261,367)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	184,797	(184,797)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,373,438)	(2,373,438)	-	-	-	(2,373,438)	-	(2,373,438)
Unclaimed dividends extinguished by prescription	-	-	26	-	-	-	-	-	-	-	26	-	26
Net income for the year ended December 31, 2019	-	-	-	-	-	3,083,789	3,083,789	-	-	-	3,083,789	89,808	3,173,597
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(10,697)	(10,697)	(756,459)	989,731	-	222,575	(22,962)	199,613
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	3,073,092	3,073,092	(756,459)	989,731	-	3,306,364	66,846	3,373,210
Share-based payments	-	-	63,912	-	-	-	-	-	-	-	63,912	-	63,912
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	7,678	7,678	-	(7,678)	-	-	-	-
Treasury shares transferred to employees	-	-	(238)	-	-	-	-	-	-	74,868	74,630	-	74,630
BALANCE AT DECEMBER 31, 2019	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

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,239,953	\$ 3,721,467
Adjustments for		
Depreciation expenses	693,358	784,768
Amortization expenses	479,774	463,395
Expected credit loss recognized (reversed) on accounts receivable	17,642	(6,401)
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(98,169)	(83,444)
Interest expenses	103,530	86,085
Interest income	(239,773)	(337,373)
Dividend income	(283,972)	(184,437)
Compensation costs of share-based payments	(547)	63,912
Share of loss of associates and joint ventures accounted for using the equity method	26,205	8,460
Net loss (gain) on disposal of property, plant and equipment	56,700	(2,746)
Gain on disposal of land use rights	-	(153,500)
Net gain on disposal of non-current assets held for sale	(367,945)	-
Net loss (gain) on disposal of investments	(877)	2,934
Impairment loss	17,859	63,654
Write-downs of inventories	204,198	134,739
Net unrealized loss (gain) on foreign currency exchange	1,945	(29,250)
Gain on lease modification	(90)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	(32,868)
Contract assets	10,417	120,460
Accounts receivable	594,803	193,773
Other receivables	60,884	43,629
Inventories	(428,262)	(206,533)
Prepayments	(40,676)	124,885
Other current assets	(6,390)	(3,029)
Financial liabilities held for trading	(32,134)	7,934
Contract liabilities	(431,699)	(966,420)
Notes and accounts payable	429,799	(177,956)
Other payables	84,983	(75,659)
Other current liabilities	57,679	17,860
Net defined benefit liabilities	1,459	(5,983)
Cash generated from operations	5,150,654	3,572,356
Income tax paid	(233,448)	(427,739)
Net cash generated from operating activities	<u>4,917,206</u>	<u>3,144,617</u>

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (2,221,741)	\$ (64,692)
Proceeds from disposal of financial assets at fair value through other comprehensive income	42,136	9,928
Acquisition of financial assets at amortized cost	(12,568,364)	(14,670,303)
Proceeds from disposal of financial assets at amortized cost	16,362,525	11,321,850
Acquisition of financial assets at fair value through profit or loss	(2,664,667)	(1,511,179)
Proceeds from disposal of financial assets at fair value through profit or loss	1,739,936	823,402
Acquisition of associates	-	(79,513)
Proceeds from disposal of non-current assets held for sale	467,091	-
Acquisition of property, plant and equipment	(755,905)	(550,492)
Proceeds from disposal of property, plant and equipment	59,827	6,869
Acquisition of other intangible assets	(104,644)	(123,803)
Proceeds from disposal of land use rights	-	153,869
Decrease in other non-current assets	26,557	53,076
Interest received	248,111	300,623
Dividends received	283,972	184,437
Deferred revenue	<u>962,015</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>1,876,849</u>	<u>(4,145,928)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	901,653	3,091,036
Increase in short-term bills payable	225,725	15,165
Increase in long-term borrowings	63,000	-
Repayments of long-term borrowings	-	(43,169)
Repayment of the principal portion of lease liabilities	(70,458)	(75,899)
Increase (decrease) in other non-current liabilities	1,224	(788)
Cash dividends	(2,268,726)	(2,373,438)
Proceeds from treasury shares transferred to employees	-	74,630
Interest paid	(108,603)	(79,203)
Proceeds from unclaimed dividends extinguished by prescription	<u>-</u>	<u>26</u>
Net cash generated from (used in) financing activities	<u>(1,256,185)</u>	<u>608,360</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>369,171</u>	<u>(255,049)</u>

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 5,907,041	\$ (648,000)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,047,106</u>	<u>7,695,106</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 12,954,147</u>	<u>\$ 7,047,106</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, 2020 AND 2019 (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 16, 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 2021

<u>New, Amended or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

- 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>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 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 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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 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 3: 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 4: 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 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

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.

As of the date the consolidated financial statements were issued, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s 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 8 and 9 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 group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

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

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

g. Inventories

Inventories consist of raw materials, 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.

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 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 28.

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

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

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>	
	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 535	\$ 579
Checking accounts and demand deposits	11,177,373	1,570,259
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	1,377,311	5,086,317
Repurchase agreements collateralized by notes	<u>398,928</u>	<u>389,951</u>
	<u>\$ 12,954,147</u>	<u>\$ 7,047,106</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>	
	<u>2020</u>	<u>2019</u>
Demand deposits	0.01-1.15%	0.01-1.15%
Time deposits	0.35-1.76%	0.45-2.9%
Repurchase agreements collateralized by notes	0.23%	2.2%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 291,853	\$ -
Non-derivative financial assets		
Mutual funds	292,266	2,455,299
Hybrid financial assets		
Structured deposits	<u>1,415,089</u>	<u>-</u>
	<u>\$ 1,999,208</u>	<u>\$ 2,455,299</u>

(Continued)

	December 31	
	2020	2019
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 292,913	\$ -
Perpetual bonds	1,006,183	-
Hybrid financial assets		
Convertible preferred shares	58,188	60,285
Convertible bonds	<u>231,727</u>	<u>-</u>
	<u>\$ 1,589,011</u>	<u>\$ 60,285</u>
		(Concluded)

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, 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

	December 31	
	2020	2019
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	\$ 6,426,148	\$ 4,474,517
Investments in debt instruments at FVTOCI	<u>503,499</u>	<u>-</u>
	<u>\$ 6,929,647</u>	<u>\$ 4,474,517</u>

a. Investments in equity instruments at FVTOCI

	December 31	
	2020	2019
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 4,992,750	\$ 3,577,384
Unlisted shares	<u>37,050</u>	<u>34,014</u>
	<u>5,029,800</u>	<u>3,611,398</u>
		(Continued)

	<u>December 31</u>	
	2020	2019
Foreign investments		
Listed shares	\$ 1,330,569	\$ 845,286
Unlisted shares	<u>65,779</u>	<u>17,833</u>
	<u>1,396,348</u>	<u>863,119</u>
	<u>\$ 6,426,148</u>	<u>\$ 4,474,517</u>
		(Concluded)

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

The Group bought 5-year and 10-year straight corporate bonds issued by foreign companies with coupon rates of 3.10%-4.63%, and the effective interest rates were 2.14%-4.03% for the three months ended December 31, 2020.

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>	
	2020	2019
<u>Current</u>		
Time deposits with original maturities of more than 3 months and not exceeding 1 year (a)	\$ 775,515	\$ 5,117,128
Pledged time deposits (b)	1,913,300	1,616,260
Principal guaranteed wealth management products (c)	<u>392,836</u>	<u>792,858</u>
	<u>\$ 3,081,651</u>	<u>\$ 7,526,246</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 1 year (d)	\$ 226,972	\$ -
Pledged time deposits (b)	148,928	146,847
Foreign straight corporate bonds (e)	<u>185,675</u>	<u>-</u>
	<u>\$ 561,575</u>	<u>\$ 146,847</u>

a. The market rate intervals for time deposits with original maturities of more than 3 months and not exceeding 1 year were 1.27%-1.40% and 0.82%-4.57% per annum as of December 31, 2020 and 2019, respectively.

b. Refer to Note 30 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% and 3.55%-4% per annum as of December 31, 2020 and 2019, respectively.
- d. The market rate for time deposits with original maturities of more than 1 year was 3.99% per annum as of December 31, 2020.
- e. The Group bought 10-year foreign corporate bonds with a coupon rate of 4.49%, and an effective rate of 4.46% in December 2020.
- f. The credit risk of financial instruments such as bank 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

	December 31	
	2020	2019
Accounts receivable	\$ 1,406,322	\$ 1,949,539
Less: Loss allowance	<u>(25,466)</u>	<u>(26,504)</u>
	<u>1,380,856</u>	<u>1,923,035</u>
Accounts receivable from related parties (Note 29)	26,722	136,794
Less: Loss allowance	<u>(17,673)</u>	<u>-</u>
	<u>9,049</u>	<u>136,794</u>
	<u>\$ 1,389,905</u>	<u>\$ 2,059,829</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, 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>

December 31, 2019

	Not Past Due	Past Due in 1- 90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	31%	
Gross carrying amount	\$ 1,837,423	\$ 162,353	\$ 86,557	\$ 2,086,333
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>(26,504)</u>	<u>(26,504)</u>
Amortized cost	<u>\$ 1,837,423</u>	<u>\$ 162,353</u>	<u>\$ 60,053</u>	<u>\$ 2,059,829</u>

The movements of the loss allowance were as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ 26,504	\$ 41,888
Add: Expected credit losses recognized (reversed)	17,642	(6,401)
Less: Amounts written off	-	(8,124)
Foreign exchange translation gains and losses	<u>(1,007)</u>	<u>(859)</u>
Balance at December 31	<u>\$ 43,139</u>	<u>\$ 26,504</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, 2020 and 2019, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Customer A	\$ 672,851	\$ 427,363
Customer B	185,060	244,374
Customer C	177,781	174,190
Customer D	73,961	330,287
Customer E	<u>230</u>	<u>215,435</u>
	<u>\$ 1,109,883</u>	<u>\$ 1,391,649</u>

11. INVENTORIES

	<u>December 31</u>	
	2020	2019
Finished goods	\$ 556,685	\$ 584,583
Semi-finished goods	316,051	264,023
Work in progress	106,362	67,271
Raw materials	<u>1,061,331</u>	<u>1,025,825</u>
	<u>\$ 2,040,429</u>	<u>\$ 1,941,702</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 included write-downs of inventories of \$204,198 thousand and \$134,739 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	December 31	
	2020	2019
Land use rights, plant and equipment held for sale	\$ <u>9,342</u>	\$ <u>109,745</u>
Liabilities directly associated with equipment held for sale	\$ <u>17,919</u>	\$ <u>17,642</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).

In addition, the Yangzhou Economic and Technological Development Zone's Demolition Placement Management Office had completed the expropriation of 19.8 mus of land use rights of the subsidiary, Yangzhou Huaxia Integrated O/E System Co., Ltd., with an amount of RMB35,640 thousand. Therefore, the Group recognized a gain on the disposal of land use rights of NT\$153,500 thousand (RMB35,557 thousand) for the year ended December 31, 2019.

- b. The subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., is expected to dispose of a batch of equipment to a non-related party within the following 12 months. Transcend Optronics (Yangzhou) Co., Ltd. has received partial contract price of NT\$17,919 thousand (RMB4,105 thousand, included in other current liabilities) as of December 31, 2019 and 2020 due to 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.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2020	2019	
E Ink Holdings Inc.	PVI Global Corp.	Investment	100.00	100.00	f.
	E Ink Corporation	Manufacture and sale of electronic ink	45.31	45.31	
	YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	Research, development and sale of electronic parts and electronic ink	100.00	100.00	a.
	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	-	100.00	i.
	Linfy Corporation	Research, development and sale of electronic ink	4.00	4.00	c.
	E Ink Japan Inc.	Development of electronics ink products	100.00	-	h.
	New Field e-Paper Co., Ltd.	E Ink Corporation	Manufacture and sale of electronic ink	12.88	12.88
Tech Smart Logistics Ltd.		Trading	99.91	99.91	

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			2020	2019	
YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	Lucky Joy Holdings Ltd.	Investment	-	100.00	e.
	Linfiny Corporation	Research, development and sale 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	
	E Ink Japan Inc.	Development of electronics ink products	-	100.00	h.
	E Ink Systems, LLC	Research and development of application software	-	-	d.
PVI Global Corp.	PVI International Corp.	Trading	100.00	100.00	f.
	Ruby Lustre Ltd.	Investment	100.00	100.00	
	Dream Pacific International Corp.	Investment	100.00	100.00	
	Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	55.61	55.61	g.
Tech Smart Logistics Ltd.	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of flat panels	-	66.66	j.
	E Ink Corporation	Manufacture and sale of electronic ink	41.81	41.81	
Dream Universe Ltd.	Transyang Electronics (Yangzhou) Ltd.	Assembly of LCD flat panels	-	-	b.
PVI International Corp.	Transcend Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	100.00	100.00	f.
Ruby Lustre Ltd.	Rich Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	100.00	100.00	
Dream Pacific International Corp.	Hydis Technologies Co., Ltd.	Research, development and licensing of monitors	94.73	94.73	
	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	24.19	24.19	
Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	75.81	75.81	
	Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	44.39	44.39	g.
	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of flat panels	-	33.34	j.

(Concluded)

- a. To simplify the Group's organization management, integrate the utilization of resources and increase operational efficiency, the board of directors of the subsidiary, Yuen Yu Investment Co., Ltd., approved on April 19, 2019 to merge its subsidiary YuanHan Materials Inc. by absorption. The reference date of the merger was on June 1, 2019, with Yuen Yu Investment Co., Ltd. as the surviving company, which was renamed as YuanHan Materials Inc. after the merger. In addition, the board of directors of YuanHan Materials Inc. approved the issuance of new shares on August 16, 2019 to merge the subsidiary, SiPix Technology Inc. The reference date of the merger is set on October 1, 2019, with YuanHan Materials Inc. as the surviving company.
- b. Transyang Electronics (Yangzhou) Ltd. has completed its liquidation process in May 2019.
- c. To adjust the investment structure, the Company purchased 4% ownership of Linfiny Corporation from YuanHan Material Inc. in October 2019.
- d. E Ink Systems, LLC has completed its liquidation process in December 2019.
- e. Lucky Joy Holdings Ltd. has completed its liquidation process in March 2020.
- f. In January 2020, the Group invested US\$9,000 thousand in cash in its subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., through PVI Global Corp. and PVI International Corp.

- g. 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 Corp. and Transcend Optronics (Yangzhou) Co., Ltd., and the capital reduction has been completed.
- h. To adjust the investment structure, the Company purchased 100% ownership of E Ink Japan Inc. from E Ink Corporation in September 2020.
- i. Hot Tracks International Ltd. had completed its liquidation process in October 2020.
- j. Transmart Electronics (Yangzhou) Ltd. had completed its liquidation process in November 2020.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>					
Balance at January 1, 2019	\$ 3,906,019	\$ 7,163,257	\$ 4,999,769	\$ 439,597	\$ 16,508,642
Additions	78,902	178,000	117,066	171,981	545,949
Disposals	(2,908)	(138,975)	(134,156)	-	(276,039)
Reclassifications	(229,924)	(55,324)	(130,864)	(125,543)	(541,655)
Effects of foreign currency exchange differences	<u>(65,483)</u>	<u>(71,648)</u>	<u>(110,428)</u>	<u>(8,933)</u>	<u>(256,492)</u>
Balance at December 31, 2019	<u>\$ 3,686,606</u>	<u>\$ 7,075,310</u>	<u>\$ 4,741,387</u>	<u>\$ 477,102</u>	<u>\$ 15,980,405</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2019	\$ 2,163,142	\$ 6,304,365	\$ 3,519,694	\$ -	\$ 11,987,201
Depreciation expenses	140,436	311,760	248,380	-	700,576
Impairment losses recognized	-	34,334	29,320	-	63,654
Disposals	(1,346)	(138,250)	(132,909)	-	(272,505)
Reclassifications	(126,002)	(121,127)	(187,458)	-	(434,587)
Effects of foreign currency exchange differences	<u>(33,523)</u>	<u>(51,673)</u>	<u>(83,055)</u>	<u>-</u>	<u>(168,251)</u>
Balance at December 31, 2019	<u>\$ 2,142,707</u>	<u>\$ 6,339,409</u>	<u>\$ 3,393,972</u>	<u>\$ -</u>	<u>\$ 11,876,088</u>
Carrying amount at December 31, 2019	<u>\$ 1,543,899</u>	<u>\$ 735,901</u>	<u>\$ 1,347,415</u>	<u>\$ 477,102</u>	<u>\$ 4,104,317</u>
<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>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>\$ 3,504,446</u>	<u>\$ 6,676,132</u>	<u>\$ 4,357,397</u>	<u>\$ 724,833</u>	<u>\$ 15,262,808</u>

(Continued)

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<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
Disposals	(166,327)	(595,447)	(224,539)	-	(986,313)
Reclassifications	-	(10,648)	(291,804)	-	(302,452)
Effects of foreign currency exchange differences	<u>5,694</u>	<u>1,413</u>	<u>(35,751)</u>	<u>-</u>	<u>(28,644)</u>
Balance at December 31, 2020	<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>\$ 1,395,243</u>	<u>\$ 653,966</u>	<u>\$ 1,301,868</u>	<u>\$ 724,833</u>	<u>\$ 4,075,910</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 \$17,859 thousand and \$63,654 thousand for the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Capitalized interest	<u>\$ 1,274</u>	<u>\$ 1,164</u>
Capitalization rate intervals	<u>0.83%-0.98%</u>	<u>0.95%-1.23%</u>

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	2-16 years
Machinery	1-10 years
Other equipment	1-26 years

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Land	\$ 813,459	\$ 838,338
Buildings	831,441	925,449
Other equipment	<u>1,809</u>	<u>2,247</u>
	<u>\$ 1,646,709</u>	<u>\$ 1,766,034</u>
 For the Year Ended December 31		
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ 11,158</u>	<u>\$ 22,354</u>
Depreciation of right-of-use assets		
Land	\$ 24,880	\$ 24,880
Buildings	56,360	57,355
Other equipment	<u>1,758</u>	<u>1,957</u>
	<u>\$ 82,998</u>	<u>\$ 84,192</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Current (included in other current liabilities)	<u>\$ 62,045</u>	<u>\$ 72,608</u>
Non-current	<u>\$ 1,617,605</u>	<u>\$ 1,721,654</u>

Discount rate intervals for lease liabilities are as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Land	1.56%	1.56%
Buildings	0.65-3.84%	0.8-3.84%
Other equipment	0.61-2.89%	0.8-3.84%

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	
	2020	2019
Expenses relating to short-term leases	<u>\$ 50,852</u>	<u>\$ 62,604</u>
Expenses relating to low-value asset leases	<u>\$ 587</u>	<u>\$ 783</u>
Total cash outflow for leases	<u>\$ 155,671</u>	<u>\$ 175,113</u>

The Group leases other equipment which qualifies 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.

16. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Patents	Others	Total
Balance at January 1, 2019	\$ 6,781,244	\$ 1,619,156	\$ 125,653	\$ 8,526,053
Additions	-	50,546	73,257	123,803
Amortization expenses	-	(408,050)	(55,345)	(463,395)
Reclassifications	-	-	1,317	1,317
Effects of foreign currency exchange differences	<u>(60,499)</u>	<u>(19,046)</u>	<u>(392)</u>	<u>(79,937)</u>
Balance at December 31, 2019	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	<u>\$ 6,597,276</u>	<u>\$ 925,095</u>	<u>\$ 140,616</u>	<u>\$ 7,662,987</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 12.20%-12.41% and 12.67%-13.12% per annum for the years ended December 31, 2020 and 2019, 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	3-5 years

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Unsecured borrowings	\$ 3,769,200	\$ 3,214,696
Secured borrowings (Note 30)	<u>1,625,045</u>	<u>1,343,136</u>
	<u>\$ 5,394,245</u>	<u>\$ 4,557,832</u>
Foreign currency included		
US\$ (in thousands)	<u>\$ 83,014</u>	<u>\$ 44,802</u>
JPY (in thousands)	<u>\$ -</u>	<u>\$ 40,000</u>
Interest rate intervals	<u>0.45%-1.20%</u>	<u>0.95%-2.59%</u>

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	\$ 806,000	\$ 580,000
Less: Discounts on bills payable	<u>388</u>	<u>113</u>
	<u>\$ 805,612</u>	<u>\$ 579,887</u>
Interest rate intervals	<u>0.31%-0.65%</u>	<u>0.61%-0.79%</u>

c. Long-term borrowings

	December 31	
	2020	2019
Unsecured borrowings	<u>\$ 63,000</u>	<u>\$ -</u>
Interest rate intervals	<u>0.65%-0.80%</u>	<u>-</u>

Long-term unsecured borrowings will expire in December 2025, 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 banks on December 15, 2020, and the total credit facility is \$6,800,000 thousand. The duration period is within 5 years from the first drawdown date. As of December 31, 2020, the lines of credit has not been used.

18. OTHER PAYABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Payables for salaries or bonuses	\$ 835,158	\$ 787,812
Payables for construction and equipment	191,397	123,125
Payable for professional service fees	63,877	49,921
Payables for utilities	27,699	40,367
Payables for labors and health insurances	23,625	19,990
Payables for pensions	14,954	12,987
Others	<u>254,027</u>	<u>229,553</u>
	<u>\$ 1,410,737</u>	<u>\$ 1,263,755</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

The defined benefit plan adopted by Hydix 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>2020</u>	<u>2019</u>
Present value of defined benefit obligation	\$ 168,440	\$ 153,393
Fair value of plan assets	<u>(67,827)</u>	<u>(65,793)</u>
Net defined benefit liabilities	<u>\$ 100,613</u>	<u>\$ 87,600</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, 2019	\$ 145,075	\$ (64,305)	\$ 80,770
Current service cost	6,571	-	6,571
Net interest expense (income)	<u>1,942</u>	<u>(747)</u>	<u>1,195</u>
Recognized in profit or loss	<u>8,513</u>	<u>(747)</u>	<u>7,766</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,101)	(2,101)
Actuarial (gain) loss			
Changes in demographic assumptions	4,755	-	4,755
Changes in financial assumptions	6,339	-	6,339
Experience adjustments	<u>4,583</u>	<u>-</u>	<u>4,583</u>
Recognized in other comprehensive income or loss	<u>15,677</u>	<u>(2,101)</u>	<u>13,576</u>
Contributions from the employer	-	(4,215)	(4,215)
Benefits paid	(15,108)	5,575	(9,533)
Exchange differences on foreign plans	<u>(764)</u>	<u>-</u>	<u>(764)</u>
Balance at December 31, 2019	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>

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:

	December 31	
	2020	2019
Discount rates	0.5%-3.0%	0.8%-3.1%
Expected rates of salary increase	2.8%-3.4%	2.8%-3.3%

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

	December 31	
	2020	2019
Discount rates		
0.25-1% increase	<u>\$ (5,460)</u>	<u>\$ (4,992)</u>
0.25-1% decrease	<u>\$ 5,785</u>	<u>\$ 5,284</u>
Expected rates of salary increase		
0.25-1% increase	<u>\$ 5,610</u>	<u>\$ 5,124</u>
0.25-1% decrease	<u>\$ (5,336)</u>	<u>\$ (4,876)</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.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 3,718</u>	<u>\$ 4,541</u>
Average duration of the defined benefit obligation	5-11.8 years	4.5-12.1 years

20. EQUITY

- a. Ordinary shares

	December 31	
	2020	2019
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>1,140,468</u>	<u>1,140,468</u>
Amount of shares issued	<u>\$ 11,404,677</u>	<u>\$ 11,404,677</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)</u>		
Issuance of shares	\$ 9,494,322	\$ 9,494,322
Conversion of bonds	525,200	525,200
Treasury share transactions	151,920	151,920
<u>May only be used to offset a deficit</u>		
Expired employee share options	50,346	50,346
Changes in percentage of ownership interests in associates (2)	4,195	105
Unclaimed dividends extinguished by prescription	40	40
<u>May not be used for any purpose</u>		
Employee share options	<u>84,513</u>	<u>85,060</u>
	<u>\$ 10,310,536</u>	<u>\$ 10,306,993</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 22.

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 2019 and 2018, which were approved in the shareholders' meetings on June 18, 2020 and 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 308,077	\$ 261,367		
Reversal of special reserve	154,916	-		
Appropriations of special reserve	-	184,797		
Cash dividends	2,268,726	2,373,438	<u>\$ 2.00</u>	<u>\$ 2.10</u>

The appropriations of earnings for 2020 were proposed by the Company's board of directors on March 16, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 360,122	
Reversal of special reserve	29,881	
Cash dividends	3,062,779	<u>\$2.7</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, 2021.

d. Special reserve

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 255,475	\$ 70,678
Appropriations in respect of		
Debits to other equity items	-	184,797
Reversals		
Reversal of the debits to other equity items	<u>(154,916)</u>	<u>-</u>
Balance at December 31	<u>\$ 100,559</u>	<u>\$ 255,475</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	
	2020	2019
Balance at January 1	\$ (937,787)	\$ (181,328)
Exchange differences on translating the financial statements of foreign operations	(84,300)	(750,298)
Share of associates and join ventures accounted for using the equity method	(2,356)	(6,161)
Disposal of subsidiaries	<u>1,541</u>	<u>-</u>
Balance at December 31	<u>\$ (1,022,902)</u>	<u>\$ (937,787)</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 907,906	\$ (74,147)
Unrealized gain (loss) on equity instruments	265,419	989,731
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(7,864)</u>	<u>(7,678)</u>
Balance at December 31	<u>\$ 1,165,461</u>	<u>\$ 907,906</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 452,645	\$ 385,799
Share of profit for the year	71,099	89,808
Remeasurement on defined benefit plans	(41)	59
Unrealized gain (loss) on financial assets at FVTOCI	2,355	(113)
Exchange difference on translating the financial statements of foreign operations	9,878	(22,908)
Adjustments relating to changes in capital surplus of associates accounted for using the equity method	<u>227</u>	<u>-</u>
Balance at December 31	<u>\$ 536,163</u>	<u>\$ 452,645</u>

g. Treasury shares

	For the Year Ended December 31	
	2020	2019
Number of shares (in thousands) at January 1	6,105	10,259
Transferred to employees	<u>-</u>	<u>(4,154)</u>
Number of shares (in thousands) at December 31	<u>6,105</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' rights on these shares, such as the rights to dividends and to vote.

21. REVENUE

a. Revenue from contracts with customers

Type of Revenue/Category by Product	For the Year Ended December 31	
	2020	2019
Revenue from sale of goods		
Monitors	\$ 10,905,140	\$ 10,742,725
Electronic shelf labels	4,446,559	2,849,298
Others	<u>11,156</u>	<u>9,653</u>
	<u>\$ 15,362,855</u>	<u>\$ 13,601,676</u>
Royalty income	<u>\$ 1,891,237</u>	<u>\$ 2,240,251</u>

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (Note 10)	<u>\$ 1,389,905</u>	<u>\$ 2,059,829</u>	<u>\$ 2,243,412</u>
Contract assets - current			
Royalty	<u>\$ 46,900</u>	<u>\$ 60,088</u>	<u>\$ 187,329</u>
Contract liabilities - current			
Royalty	\$ 1,187,673	\$ 1,215,378	\$ 1,423,203
Sale of goods	<u>267,997</u>	<u>83,230</u>	<u>149,799</u>
	<u>1,455,670</u>	<u>1,298,608</u>	<u>1,573,002</u>
Contract liabilities - non-current			
Royalty	<u>351,361</u>	<u>1,024,259</u>	<u>1,761,719</u>
	<u>\$ 1,807,031</u>	<u>\$ 2,322,867</u>	<u>\$ 3,334,721</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	
	2020	2019
Royalty income	\$ 1,183,960	\$ 1,386,944
Revenue from sale of goods	<u>81,250</u>	<u>148,726</u>
	<u>\$ 1,265,210</u>	<u>\$ 1,535,670</u>

22. NET INCOME

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	\$ 75,164	\$ 224,176
Financial assets at amortized cost	129,395	111,267
Others	<u>35,214</u>	<u>1,930</u>
	<u>\$ 239,773</u>	<u>\$ 337,373</u>

b. Other expenses

	For the Year Ended December 31	
	2020	2019
Loss on disposal of property, plant and equipment	\$ 56,700	\$ -
Share of loss of associates and joint ventures accounted for using the equity method	26,205	8,460
Impairment loss	17,859	63,654
Others	<u>21,984</u>	<u>25,882</u>
	<u>\$ 122,748</u>	<u>\$ 97,996</u>

c. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 610,360	\$ 700,576
Other intangible assets	479,774	463,395
Rights-of-use assets	<u>82,998</u>	<u>84,192</u>
	<u>\$ 1,173,132</u>	<u>\$ 1,248,163</u>
An analysis of depreciation by function		
Operating costs	\$ 281,593	\$ 332,070
Operating expenses	<u>411,765</u>	<u>452,698</u>
	<u>\$ 693,358</u>	<u>\$ 784,768</u>
An analysis of amortization by function		
Operating costs	\$ 7,815	\$ 3,673
Operating expenses	<u>471,959</u>	<u>459,722</u>
	<u>\$ 479,774</u>	<u>\$ 463,395</u>

d. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2020	2019
Post-employment benefits (Note 19)		
Defined contribution plans	\$ 72,259	\$ 74,082
Defined benefit plans	<u>5,404</u>	<u>7,766</u>
	77,663	81,848
Share-based payments		
Equity-settled	(547)	63,912
Other employee benefits	<u>3,538,588</u>	<u>3,608,196</u>
Total employee benefits expense	<u>\$ 3,615,704</u>	<u>\$ 3,753,956</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 857,008	\$ 957,772
Operating expenses	<u>2,758,696</u>	<u>2,796,184</u>
	<u>\$ 3,615,704</u>	<u>\$ 3,753,956</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, 2020 and 2019, which were approved by the Company's board of directors on March 16, 2021 and March 18, 2020, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Employees' compensation	<u>\$ 38,650</u>	<u>\$ 31,900</u>
Remuneration of directors	<u>\$ 20,000</u>	<u>\$ 15,579</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, 2019 and 2018.

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.

23. INCOME TAXES

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 752,409	\$ 458,781
Income tax on unappropriated earnings	34,438	6,682
Adjustments for the prior years	<u>(13,819)</u>	<u>5,654</u>
	<u>773,028</u>	<u>471,117</u>
Deferred tax		
In respect of the current year	<u>(206,763)</u>	<u>76,753</u>
Income tax expense recognized in profit or loss	<u>\$ 566,265</u>	<u>\$ 547,870</u>

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

	For the Year Ended December 31	
	2020	2019
Income before income tax	<u>\$ 4,239,953</u>	<u>\$ 3,721,467</u>
Income tax expense calculated at the statutory rate (20%)	\$ 847,991	\$ 744,293
Nondeductible expenses in determining taxable income	158,608	125,807
Tax-exempt income	(69,723)	(54,920)
Income tax on unappropriated earnings	34,438	6,682
Unrecognized loss carryforwards, deductible temporary differences and investment credits	(565,292)	(429,856)
Effect of different tax rates of group entities operating in other jurisdictions	68,319	62,591
Adjustments for the prior years	(13,819)	5,654
Others	<u>105,743</u>	<u>87,619</u>
Income tax expense recognized in profit or loss	<u>\$ 566,265</u>	<u>\$ 547,870</u>

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

- b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	\$ 11,635	\$ -
Remeasurement of defined benefits plans	<u>(2,099)</u>	<u>(2,938)</u>
	<u>\$ 9,536</u>	<u>\$ (2,938)</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Current tax assets		
Prepaid income tax	\$ 2,720	\$ 20,230
Tax refund receivable	<u>11,323</u>	<u>1,781</u>
	<u>\$ 14,043</u>	<u>\$ 22,011</u>
Current tax liabilities		
Income tax payable	<u>\$ 685,710</u>	<u>\$ 146,121</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, 2020

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Exchange Differences</u>	<u>Closing Balance</u>
<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	<u>17,905</u>	<u>4,860</u>	<u>(11,635)</u>	<u>(50)</u>	<u>11,080</u>
	483,143	128,066	(9,536)	(11,284)	590,389
Loss carryforwards	74,314	(6,688)	-	(3,381)	64,245
Investment credits	<u>429,825</u>	<u>52,909</u>	<u>-</u>	<u>(5,675)</u>	<u>477,059</u>
	<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	<u>37,403</u>	<u>(23,217)</u>	<u>-</u>	<u>(810)</u>	<u>13,376</u>
	<u>\$ 120,854</u>	<u>\$ (32,476)</u>	<u>\$ -</u>	<u>\$ 90</u>	<u>\$ 88,468</u>

For the year ended December 31, 2019

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Exchange Differences</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>					
Temporary differences					
Property, plant and equipment	\$ 217,587	\$ (104,361)	\$ -	\$ (2,273)	\$ 110,953
Other payables	87,034	(22,093)	-	(1,567)	63,374
Inventories	198,805	7,636	-	(914)	205,527
Accounts receivable	17,973	4,889	-	(143)	22,719
Deferred revenue	33,924	(7,183)	-	(292)	26,449
Defined benefit plans	15,639	-	2,938	-	18,577

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Prepayments	\$ 17,639	\$ -	\$ -	\$ -	\$ 17,639
Others	14,963	3,107	-	(165)	17,905
	603,564	(118,005)	2,938	(5,354)	483,143
Loss carryforwards	266,049	(181,904)	-	(9,831)	74,314
Investment credits	202,275	239,615	-	(12,065)	429,825
	<u>\$ 1,071,888</u>	<u>\$ (60,294)</u>	<u>\$ 2,938</u>	<u>\$ (27,250)</u>	<u>\$ 987,282</u>
Deferred tax liabilities					
Temporary differences					
Contract liabilities	\$ 88,456	\$ (10)	\$ -	\$ (4,995)	\$ 83,451
Others	21,843	16,469	-	(909)	37,403
	<u>\$ 110,299</u>	<u>\$ 16,459</u>	<u>\$ -</u>	<u>\$ (5,904)</u>	<u>\$ 120,854</u>

(Concluded)

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

	December 31	
	2020	2019
Loss carryforwards		
Expire in 2020	\$ -	\$ 1,017,102
Expire in 2021	591	50,191
Expire in 2022	351,033	1,011,974
Expire in 2023	370	343,647
Expire in 2024	290	290
Expire in 2025	316	316
Expire in 2026	14,332	17,263
Expire in 2027	156,218	156,218
Expire in 2028	94,453	94,453
Expire in 2029	109,255	109,495
Expire in 2030	<u>78,438</u>	<u>26,338</u>
	<u>\$ 805,296</u>	<u>\$ 2,827,287</u>
Deductible temporary differences	<u>\$ 237,075</u>	<u>\$ 887,029</u>

- f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

Unused Amount	Expiry Year
\$ 41,155	2021
391,597	2022
40,934	2023
40,854	2024
40,880	2025
39,352	2026
181,239	2027

(Continued)

Unused Amount	Expiry Year
\$ 119,473	2028
133,849	2029
<u>78,438</u>	2030
<u>\$ 1,107,771</u>	

(Concluded)

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

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$13,674,683 thousand and \$10,744,914 thousand, respectively.

- h. Income tax assessments

Income tax assessments of the Group were as follows:

Company	Latest Assessment Year
The Company	2018
YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	2018
New Field e-Paper Co., Ltd.	2018
Linfiny Corporation	2018

24. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share (NT\$)	<u>\$ 3.18</u>	<u>\$ 2.72</u>
Diluted earnings per share (NT\$)	<u>\$ 3.17</u>	<u>\$ 2.71</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

	For the Year Ended December 31	
	2020	2019
Net income attributable to owners of the Company	<u>\$ 3,602,589</u>	<u>\$ 3,083,789</u>

Number of Shares

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares (in thousands) used in the computation of basic earnings per share	1,134,363	1,132,286
Effect of potentially dilutive ordinary shares (in thousands)		
Employees' compensation	1,149	1,178
Share-based payment arrangements	<u>2,464</u>	<u>3,464</u>
Weighted average number of ordinary shares (in thousands) used in the computation of diluted earnings per share	<u>1,137,976</u>	<u>1,136,928</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.

25. SHARE-BASED PAYMENT ARRANGEMENTS

The board of directors resolved on May 8, 2019, August 14, 2018, May 8, 2018 and March 22, 2017 to transfer treasury shares of 25 thousand shares, 5,885 thousand shares, 8,097 thousand shares and 7,289 thousand shares, respectively, to qualified employees of the Company and its subsidiaries. In compliance with the Company's Regulations Governing Share Repurchase and Transfer to Employees, the transfer price for each arrangements is the average of the actual acquisition price of the treasury shares.

Information about treasury shares transferred to employees is as follows:

For the year ended December 31, 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
May 8, 2019	<u>25</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>-</u>
August 14, 2018	<u>5,885</u>	<u>-</u>	<u>40</u>	<u>599</u>	<u>5,246</u>
May 8, 2018	<u>8,097</u>	<u>-</u>	<u>7,913</u>	<u>184</u>	<u>-</u>
March 22, 2017	<u>7,289</u>	<u>-</u>	<u>5,917</u>	<u>1,372</u>	<u>-</u>

For the year ended December 31, 2019

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 8, 2019	<u>25</u>	<u>25</u>	<u>25</u>	<u>-</u>	<u>-</u>
August 14, 2018	<u>5,885</u>	<u>40</u>	<u>40</u>	<u>509</u>	<u>5,336</u>
May 8, 2018	<u>8,097</u>	<u>3,889</u>	<u>7,913</u>	<u>184</u>	<u>-</u>
March 22, 2017	<u>7,289</u>	<u>200</u>	<u>5,917</u>	<u>1,372</u>	<u>-</u>

Treasury shares transferred to employees in 2018 and 2017 were priced using a Black-Scholes pricing model, while treasury shares transferred to employees in 2019 were measured using the difference between the grant date share price of \$36.6 and the exercise price of \$18.02, in which fair value of the share options was calculated as \$18.58. Compensation cost of \$547 thousand and the same amount of capital surplus - employee share options were reversed for the year ended December 31, 2020. Compensation cost recognized was \$63,912 thousand for the year ended December 31, 2019. The inputs to the models are as follows:

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

26. NON-CASH TRANSACTIONS

For the years ended December 31, 2020 and 2019, the Group entered into the following non-cash investing activities:

	<u>For the Year Ended December 31</u>	
	2020	2019
Acquisition of property, plant and equipment		
Increase in property, plant and equipment	\$ 828,301	\$ 545,949
Decrease (increase) in payables for construction and equipment (included in other payables)	<u>(72,396)</u>	<u>4,543</u>
Net cash paid	<u>\$ 755,905</u>	<u>\$ 550,492</u>

27. 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.

28. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

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>
<u>Financial assets at FVTOCI</u>				
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>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets				
Mutual funds	\$ 2,455,299	\$ -	\$ -	\$ 2,455,299
Hybrid financial assets				
Convertible preferred shares	<u>-</u>	<u>-</u>	<u>60,285</u>	<u>60,285</u>
	<u>\$ 2,455,299</u>	<u>\$ -</u>	<u>\$ 60,285</u>	<u>\$ 2,515,584</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and overseas listed shares	\$ 3,639,927	\$ -	\$ 782,743	\$ 4,422,670
Domestic and overseas unlisted shares	<u>-</u>	<u>-</u>	<u>51,847</u>	<u>51,847</u>
	<u>\$ 3,639,927</u>	<u>\$ -</u>	<u>\$ 834,590</u>	<u>\$ 4,474,517</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>	
	2020	2019
Balance at January 1	\$ 894,875	\$ 508,004
Recognized in profit or loss	(20,640)	(17,715)
Recognized in other comprehensive income (loss)		
Unrealized gain (loss) on equity instruments	(66,294)	328,187
Exchange differences on translating the financial statements of foreign operations	<u>280</u>	<u>(1,601)</u>
	<u>(66,014)</u>	<u>326,586</u>
Purchases	264,718	78,000
Transfer out (Note)	<u>(680,195)</u>	<u>-</u>
Balance at December 31	<u>\$ 392,744</u>	<u>\$ 894,875</u>

Note: The transfer restrictions on the overseas listed private shares held by the Group had been lifted since the end of June 2020 and the original unlisted shares had started trading on the Emerging Stock Board; 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 20% and 20%-30% as of December 31, 2020 and 2019, respectively. If the discount for lack of marketability increased by 1% while all other variables were held constant, the fair value would have decreased \$822 thousand and \$1,084 thousand, respectively.
- b) Overseas listed private shares were evaluated by the market approach, referring to the closing prices at the end of the reporting years with consideration of discount for lack of marketability. Unobservable input used by the Group was discount for lack of marketability, which was 15.18% as of December 31, 2019. If the discount for lack of marketability increased by 1% while all other variables were held constant, the fair value would have decreased \$9,228 thousand.
- c) The fair value of convertible bonds and 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 47.47% and 60.07% as of December 31, 2020, respectively.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
FVTPL	\$ 3,588,219	\$ 2,515,584
Amortized cost (Note 1)	18,128,323	16,996,281
Equity instruments at FVTOCI	6,929,647	4,474,517
<u>Financial liabilities</u>		
Amortized cost (Note 2)	9,239,662	7,557,513

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 33.

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	
	2020	2019	2020	2019	2020	2019
Profit or loss	\$ 11,004	\$ (20,042)	\$ (5,147)	\$ (10,448)	\$ (49,686)	\$ (60,924)

b) Interest rate risk

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	<u>\$ 5,419,465</u>	<u>\$ 13,149,361</u>
Financial liabilities	<u>\$ 6,262,857</u>	<u>\$ 5,137,719</u>
Lease liabilities	<u>\$ 1,679,650</u>	<u>\$ 1,794,262</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 11,177,373</u>	<u>\$ 1,570,259</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 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, 2020 and 2019, would increase \$55,887 thousand and \$7,851 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, 2020 and 2019, would have increased/decreased by \$164,818 thousand and \$125,779 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, 2020 and 2019, would have increased/decreased by \$346,482 thousand and \$223,726 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

Changes in the Group's sensitivity to investments in equity securities mainly resulted from the redemption of mutual funds and 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, 2020 and 2019, the Group's unutilized bank borrowing facilities were \$13,052,337 thousand and \$3,019,934 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, 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>

December 31, 2019

	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	\$ 9,651	\$ 19,303	\$ 85,428	\$ 368,373	\$ 1,800,200
Fixed interest rate liabilities	<u>3,941,755</u>	<u>1,206,956</u>	-	-	-
	<u>\$ 3,951,406</u>	<u>\$ 1,226,259</u>	<u>\$ 85,428</u>	<u>\$ 368,373</u>	<u>\$ 1,800,200</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>\$ 114,382</u>	<u>\$ 368,373</u>	<u>\$ 407,519</u>	<u>\$ 388,659</u>	<u>\$ 388,659</u>	<u>\$ 615,363</u>

29. 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
Plastic Logic HK Limited	Associate
PL Germany GmbH	Associate
YFY Inc.	Investor with significant influence over the Group
YFY Investment Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Japan 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 Paper Mfg. (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
Arizon RFID Technology Co., Ltd. (Originally named as Arizon RFID Technologies (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
YFY Packaging Inc.	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

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd.	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 Corporate Advisory & Services Co., Ltd.	Subsidiary of investor with significant influence over the Group
China Color Printing Co., Ltd.	Subsidiary of investor with significant influence over the Group
Fidelis IT Solutions Co., Ltd.	Subsidiary of investor with significant influence over the Group
Livebricks Inc.	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. (originally named as YFY Capital Co., Ltd.)	Subsidiary of investor with significant influence over the Group
Syntax Communication (H.K.) Limited	Subsidiary of investor with significant influence over the Group
YFY Jupiter US, Inc.	Subsidiary of investor with significant influence over the Group
Jupiter Prestige Group North America Inc.	Subsidiary of investor with significant influence over the Group
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
S.C. Ho	Key management personnel
Johnson Lee	Key management personnel
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	Substantive related party
YFY Green Food (Shanghai) Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
SinoPac Securities Corp.	Substantive related party
Hsin-Yi Enterprise Co., Ltd.	Substantive related party
TGKW Management Limited	Substantive related party
Hsin Fan Precision Electronics (Yangzhou) Co., Ltd.	Substantive related party
Foongtone Technology Co., Ltd.	Substantive related party
Shen's Art Printing Co., Ltd.	Substantive related party

(Concluded)

b. Sales of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Associate	<u>\$ 20,625</u>	<u>\$ 40,277</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	
	2020	2019
Associate	\$ 776,424	\$ 575,555
Investor and its subsidiaries with significant influence over the Group	10,279	8,002
Substantive related party	<u>17</u>	<u>31</u>
	<u>\$ 786,720</u>	<u>\$ 583,588</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	
	2020	2019
Substantive related party	\$ 46,898	\$ 52,989
Others	<u>156</u>	<u>513</u>
	<u>\$ 47,054</u>	<u>\$ 53,502</u>

e. Operating expenses

Related Party Category	For the Year Ended December 31	
	2020	2019
Associate	\$ 23,438	\$ 9,379
Substantive related party	23,059	24,384
Investor and its subsidiaries with significant influence over the Group	<u>5,572</u>	<u>6,509</u>
	<u>\$ 52,069</u>	<u>\$ 40,272</u>

f. Non-operating income - other income

Related Party Category	For the Year Ended December 31	
	2020	2019
Associate	\$ 5,875	\$ 6,023
Subsidiary of investor with significant influence over the Group	825	3,430
Substantive related party	<u>52</u>	<u>82</u>
	<u>\$ 6,752</u>	<u>\$ 9,535</u>

g. Non-operating expense - other expenses

Related Party Category	For the Year Ended December 31	
	2020	2019
Key management personnel	<u>\$ 4,771</u>	<u>\$ -</u>

h. Receivable from related parties (included in accounts receivable)

Related Party Category	December 31	
	2020	2019
Associate	\$ 19,268	\$ 128,863
Less: Loss allowance	<u>(17,673)</u>	<u>-</u>
	1,595	128,863
Subsidiary of investor with significant influence over the Group	<u>7,454</u>	<u>7,931</u>
	<u>\$ 9,049</u>	<u>\$ 136,794</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	
	2020	2019
Associate	\$ 16,722	\$ 27,219
Subsidiary of investor with significant influence over the Group	10,891	3,871
Substantive related party	<u>7,734</u>	<u>4,682</u>
	<u>\$ 35,347</u>	<u>\$ 35,772</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	
	2020	2019
Substantive related party		
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	\$ 49,235	\$ 48,474
Others	<u>-</u>	<u>22</u>
	<u>\$ 49,235</u>	<u>\$ 48,496</u>

k. Acquisition of property, plant and equipment

Related Party Category	Proceeds	
	For the Year Ended December 31	
	2020	2019
Associate	\$ <u>11,803</u>	\$ <u>-</u>

l. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Associate	\$ <u>31</u>	\$ <u>17</u>	\$ <u>31</u>	\$ <u>12</u>

m. Lease arrangements

The Group leased offices from a subsidiary of investor with significant influence over the Group, with the lease term for 4 years. The related amounts were as follows:

Line Item	December 31	
	2020	2019
Lease liabilities		
Current (included in other current liabilities)	\$ 235	\$ 3,001
Non-current	<u>-</u>	<u>812</u>
	<u>\$ 235</u>	<u>\$ 3,813</u>
	For the Year Ended December 31	
	2020	2019
Interest expenses	<u>\$ 26</u>	<u>\$ 73</u>

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	
	2020	2019
Key management personnel	\$ 1,050	\$ 1,050
Others	<u>66</u>	<u>65</u>
	<u>\$ 1,116</u>	<u>\$ 1,115</u>

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
Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income	337	Shares	\$ 11,447
Associate	Investments accounted for using the equity method	224	Equity	<u>6,597</u>
				<u>\$ 18,044</u>

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), which increased the Group's shareholding ratio in Plastic Logic HK Limited to 32.42%; furthermore, in August 2020, the Group 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).

p. Acquisitions of intangible assets

Related Party Category	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Associate	\$ <u>-</u>	\$ <u>18,609</u>

q. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
	Short-term employee benefits	\$ 128,052
Post-employment benefits	1,235	1,566
Share-based payments	<u>-</u>	<u>38,495</u>
	\$ <u>129,287</u>	\$ <u>168,065</u>

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

30. 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:

	December 31	
	2020	2019
Current	\$ 1,913,300	\$ 1,616,260
Non-current	<u>148,928</u>	<u>146,847</u>
	\$ <u>2,062,228</u>	\$ <u>1,763,107</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unused letters of credit of the Group for purchase of machinery amounted to \$208,330 thousand as of December 31, 2020.

Guaranteed notes issued for long-term and short-term borrowings and lines of credit for derivative instrument trading were \$9,040,000 thousand and \$6,220,000 thousand as of December 31, 2020 and 2019, respectively.

Guaranteed notes issued for syndicated loans were \$6,800,000 thousand as of December 31, 2020.

Letters of bank's guarantee issued for tariff of imported inventories were \$257,848 thousand as of December 31, 2019.

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.

32. 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. Although the domestic epidemic situation has slowed and the government's policies have been loosened, many countries are still under lockdown. There was no significant impact on the Group's operating revenue in 2020; however, part of the operating activities are still affected. As the global economic situation continues to tighten, 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.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 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
<u>Foreign currency liabilities</u>			
Monetary items			
USD	256,381	28.48 (USD:NTD)	7,301,731
USD	176,956	6.525 (USD:RMB)	5,039,707

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 203,216	1,145.587 (USD:KRW)	\$ 6,092,416
USD	199,524	29.98 (USD:NTD)	5,981,730
USD	170,686	6.976 (USD:RMB)	5,117,166
Non-monetary items			
Mutual funds			
USD	81,897	1,145.587 (USD:KRW)	2,455,299
<u>Foreign currency liabilities</u>			
Monetary items			
USD	132,673	29.98 (USD:NTD)	3,977,537
USD	135,836	6.976 (USD:RMB)	4,072,363

The Group's net realized and unrealized gains (losses) on foreign currency exchange were \$(361,237) thousand and \$223,994 thousand for the years ended December 31, 2020 and 2019, 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.

34. 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 (Table 5)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
- 9) Trading in derivative instruments (Note 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 10)

- b. Information on investees (Table 8)
- c. Information on investments in mainland China (Table 9)
 - 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 11)

35. 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 December 31		For the Year Ended December 31	
	2020	2019	2020	2019
ROC	\$ 17,117,539	\$ 14,557,163	\$ 2,243,270	\$ 1,098,283
Asia	9,496,029	9,313,938	118,194	132,762
America	3,927,016	3,900,444	(163,149)	(310,162)
Adjustment and eliminations	<u>(15,177,729)</u>	<u>(14,169,869)</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,362,855</u>	<u>\$ 13,601,676</u>	2,198,315	920,883
Administration cost and remunerations to directors			(351,063)	(361,072)
Royalty income			1,891,237	2,240,251
Gain on disposal of land use right			-	153,500
Gain on disposal of non-current assets held for sale			367,945	-
Net gain (loss) on foreign currency exchange			(361,237)	223,994
Net gain on fair value changes of financial assets and liabilities at FVTPL			98,169	83,444
Other non-operating income and expenses, net			<u>396,587</u>	<u>460,467</u>
Income before tax			<u>\$ 4,239,953</u>	<u>\$ 3,721,467</u>

Segment profit (loss) represented the income before income tax earned by each segment without allocation of administration costs and remuneration of directors, royalty income, gain on disposal of land use rights, gain on disposal of non-current assets held for sale, net gain (loss) on foreign currency exchange, net gain 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	
	2020	2019
Monitors	\$ 10,905,140	\$ 10,742,725
Electronic shelf labels	4,446,559	2,849,298
Others	<u>11,156</u>	<u>9,653</u>
	<u>\$ 15,362,855</u>	<u>\$ 13,601,676</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 is detailed below.

	December 31	
	2020	2019
ROC	\$ 3,326,249	\$ 3,356,754
Asia	1,280,207	1,275,481
America	<u>8,937,884</u>	<u>9,538,029</u>
	<u>\$ 13,544,340</u>	<u>\$ 14,170,264</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	
	2020	2019
Customer A	\$ 3,272,851	\$ 3,211,841
Customer B	2,338,399	2,052,854
Customer C	<u>2,041,121</u>	<u>2,513,417</u>
	<u>\$ 7,652,371</u>	<u>\$ 7,778,112</u>

E INK HOLDINGS INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Other receivables	Yes	\$ 903,921 (RMB 206,222 thousand)	\$ 889,647 (RMB 203,822 thousand)	\$ -	3.915	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 3,930,660 (RMB 900,532 thousand)	\$ 3,930,660 (RMB 900,532 thousand)
2	Hydis Technologies Co., Ltd.	YuanHan Materials Inc.	Other receivables	Yes	1,300,050 (US\$ 45,000 thousand)	1,281,600 (US\$ 45,000 thousand)	1,281,600 (US\$ 45,000 thousand)	1.23	Short-term financing	-	Working capital	-	-	-	4,028,452 (KRW 152,362,038 thousand)	4,028,452 (KRW 152,362,038 thousand)
3	YuanHan Materials Inc.	New Field e-Paper Co., Ltd.	Other receivables	Yes	380,000	380,000	380,000	1.2	Short-term financing	-	Working capital	-	-	-	545,557	2,182,227
4	PVI Global Corp.	New Field e-Paper Co., Ltd.	Other receivables	Yes	442,350 (US\$ 15,000 thousand)	427,200 (US\$ 15,000 thousand)	427,200 (US\$ 15,000 thousand)	1	Short-term financing	-	Working capital	-	-	-	1,538,803 (US\$ 54,031 thousand)	6,155,183 (US\$ 216,123 thousand)

Note 1: The amounts are translated at the exchange rate of US\$1=NT\$28.48, RMB1=NT\$4.36482 and KRW1=NT\$0.02644 on December 31, 2020, except the maximum balance that is translated at the highest exchange rate at the end of each month for the year.

Note 2: Transcend Optronics (Yangzhou) Co., Ltd. provides financing to the foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, and the aggregate and individual financing limits to these subsidiaries shall not exceed 100% of the financing company's net equity per its latest financial statements. 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. and PVI Global Corp. 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, 2020
(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	\$ 7,627,153	\$ 1,268,070 (US\$ 43,000 thousand)	\$ 1,196,160 (US\$ 42,000 thousand)	\$ -	\$ -	3.92	\$ 30,508,610	Yes	No	No
		YuanHan Materials Inc.	Subsidiary	7,627,153	1,850,000	1,850,000	284,800 (US\$ 10,000 thousand)	-	6.06	30,508,610	Yes	No	No
		Linfiny Corporation	Subsidiary	7,627,153	410,000	350,000	141,000	-	1.15	30,508,610	Yes	No	No
1	Hydis Technologies Co., Ltd.	E Ink Holdings Inc.	Parent company	2,517,783 (KRW 95,226,274 thousand)	453,750 (US\$ 15,000 thousand)	427,200 (US\$ 15,000 thousand)	400,000	-	4.24	10,071,131 (KRW 380,905,096 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\$28.48, and KRW1=NT\$0.02644 on December 31, 2020, 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, 2020

(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, 2020				Note
				Shares/Units (In Thousands)	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	112,701	\$ 1,290,431	1.00	\$ 1,290,431	
	YFY Inc.		Financial assets at FVTOCI	7,814	230,123	0.47	230,123	
	Ultra Chip, Inc.	-	Financial assets at FVTOCI	2,704	112,338	4.14	112,338	
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Company	Financial assets at FVTOCI	336	15,540	0.14	15,540	
	IGNIS INNOVATION INC.	-	Financial assets at FVTPL - non-current	388	-	0.19	-	
	New Medical Imaging Co., Ltd.	-	Financial assets at FVTPL - non-current	109	-	2.37	-	
	<u>Convertible preferred shares</u> MICAREO INC.	-	Financial assets at FVTPL - non-current	6,000	-	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	252,221	0.20	252,221	
	Jetbest Corporation	-	Financial assets at FVTOCI	278	7,589	0.85	7,589	
	Ventec International Group Co., Ltd.	-	Financial assets at FVTOCI	1,242	84,456	1.74	84,456	
YuanHan Materials Inc.	<u>Ordinary shares</u> SinoPac Financial Holding Company Limited	Substantive related party Investor with significant influence over the parent company	Financial assets at FVTOCI	214,864	2,460,197	1.90	2,460,197	
	YFY Inc.		Financial assets at FVTOCI	16	471	-	471	
	Netronix Inc.	One of its director	Financial assets at FVTOCI	5,309	208,651	6.40	208,651	
	SES-imagotag	-	Financial assets at FVTOCI	867	1,124,491	5.50	1,124,491	
	Fitipower Integrated Technology Inc.	-	Financial assets at FVTOCI	2,689	330,701	1.61	330,701	
	Formolight Technologies, Inc.	-	Financial assets at FVTOCI	2,228	15,728	10.93	15,728	
	Echem Solutions Corp.	-	Financial assets at FVTOCI	743	13,149	0.99	13,149	
	eCrowd Media Inc.	-	Financial assets at FVTOCI	1,310	8,173	6.46	8,173	
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the parent company	Financial assets at FVTOCI	1	32	-	32	
	<u>Convertible preferred shares</u> SigmaSense, LLC	-	Financial assets at FVTPL - non-current	73	58,188	2.05	58,188	
<u>Convertible bonds</u> Nuclera Nucleics Ltd.	-	Financial assets at FVTPL - non-current	-	231,727	-	231,727		

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Transcend Optronics (Yangzhou) Co., Ltd.	<u>Straight corporate bonds</u> FS KKR CAPITAL CORP	-	Financial assets at FVTOCI	2,000	\$ 60,230	-	\$ 60,230	
	NOMURA HOLDINGS INC.	-	Financial assets at FVTOCI	1,950	60,694	-	60,694	
	<u>Ordinary shares</u> Dalian DKE LCD Co., Ltd.	-	Financial assets at FVTOCI	837	RMB 15,070 thousand	3.11	RMB 15,070 thousand	
Yangzhou Huaxia Integrated O/E System Co., Ltd.	<u>Structured deposits</u> Bank of Nanjing - principal guaranteed with floating profit structured deposits	-	Financial assets at FVTPL - current	-	RMB 241,658 thousand	-	RMB 241,658 thousand	
	<u>Structured deposits</u> Bank of China - linked structured deposits	-	Financial assets at FVTPL - current	-	RMB 60,419 thousand	-	RMB 60,419 thousand	
Rich Optronics (Yangzhou) Co., Ltd.	<u>Structured deposits</u> Bank of Jiangsu - principal guaranteed with floating profit structured deposits	-	Financial assets at FVTPL - current	-	RMB 22,125 thousand	-	RMB 22,125 thousand	
Hydis Technologies Co., Ltd.	<u>Ordinary shares</u> Sangyong Cement Industrial Co., Ltd.	-	Financial assets at FVTOCI	926	KRW 6,183,469 thousand	0.18	KRW 6,183,469 thousand	
	Hana Financial Group Inc.	-	Financial assets at FVTOCI	46	KRW 1,597,040 thousand	0.02	KRW 1,597,040 thousand	
	<u>Mutual funds</u> Term Liquidity Fund	-	Financial assets at FVTPL - current	97	KRW 11,034,563 thousand	-	KRW 11,034,563 thousand	
	Term Liquidity Fund	-	Financial assets at FVTPL - non-current	95	KRW 11,059,000 thousand	-	KRW 11,059,000 thousand	
	<u>Perpetual bonds</u> JP Morgan Chase & Co.	-	Financial assets at FVTPL - non-current	29,800	KRW 32,415,916 thousand	-	KRW 32,415,916 thousand	
	Bank of America Corporation	-	Financial assets at FVTPL - non-current	5,000	KRW 5,572,736 thousand	-	KRW 5,572,736 thousand	
	<u>Straight corporate bonds</u> NOMURA HOLDINGS, INC.	-	Financial assets at FVTOCI	9,100	KRW 10,813,654 thousand	-	KRW 10,813,654 thousand	
Standard Chartered PLC	-	Financial assets at FVTOCI	3,000	KRW 3,630,547 thousand	-	KRW 3,630,547 thousand		

Note: Refer to Tables 8 and 9 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, 2020
(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 3)		Units (In Thousands)	Amount
Hydis Technologies Co., Ltd.	Perpetual bonds JP Morgan Chase & Co.	Financial assets at FVTPL - non-current	-	-	-	\$ -	29,800	KRW 35,362,837 thousand	-	\$ -	\$ -	\$ -	KRW (2,946,921) thousand (Note 1)	29,800	KRW 32,415,916 thousand
	Mutual funds Term Liquidity Fund	Financial assets at FVTPL - current	Citibank	-	771	KRW 94,135,529 thousand	-	-	579	KRW 69,468,847 thousand	KRW 66,185,981 thousand	KRW 3,282,866 thousand (Note 1)	KRW (16,914,985) thousand (Notes 1 and 4)	97	KRW 11,034,563 thousand
YuanHan Materials Inc.	Ordinary shares SinoPac Financial Holding Company Limited	Financial assets at FVTOCI	-	-	146,432	1,903,620	68,432	885,000	-	-	-	-	(328,423) (Note 2)	214,864	2,460,197
Transcend Optronics (Yangzhou) Co., Ltd.	Principal guaranteed wealth investment products	Financial assets at amortized cost	Bank of Nanjing	-	-	-	-	RMB 200,000 thousand	-	RMB 110,875 thousand	RMB 110,000 thousand	RMB 875 thousand	-	-	RMB 90,000 thousand
	Principal guaranteed with floating profit structured deposits	Financial assets at FVTPL - current	Bank of Nanjing	-	-	-	-	RMB 240,000 thousand	-	-	-	-	RMB 1,658 thousand (Note 1)	-	RMB 241,658 thousand
Rich Optronics (Yangzhou) Co., Ltd.	Principal guaranteed wealth investment products Su-Yin-Xi structured	Financial assets at amortized cost	Bank of Jiangsu	-	-	RMB 50,500 thousand	-	RMB 81,800 thousand	-	RMB 134,317 thousand	RMB 132,300 thousand	RMB 2,017 thousand	-	-	-
	China CITIC Bank Structured	Financial assets at amortized cost	China CITIC Bank	-	-	RMB 50,000 thousand	-	RMB 183,000 thousand	-	RMB 234,843 thousand	RMB 233,000 thousand	RMB 1,843 thousand	-	-	-
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Principal guaranteed wealth investment products Win-to-fortune structured deposits	Financial assets at amortized cost	Bank of Communications	-	-	RMB 25,000 thousand	-	RMB 71,000 thousand	-	RMB 96,588 thousand	RMB 96,000 thousand	RMB 588 thousand	-	-	-
Transyork Technology Yangzhou Ltd.	Principal guaranteed wealth investment products Interest rate linked structured deposits	Financial assets at amortized cost	Bank of Nanjing	-	-	RMB 50,000 thousand	-	RMB 110,000 thousand	-	RMB 161,080 thousand	RMB 160,000 thousand	RMB 1,080 thousand	-	-	-

Note 1: Included in net gain on financial assets and liabilities at FVTPL.

Note 2: Included in unrealized gain (loss) on financial assets at FVTOCI.

Note 3: Included in interest income.

Note 4: Included the carrying amount which was reclassified to FVTPL - non-current.

E INK HOLDINGS INC. AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of RMB)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Land use rights, building and its accessories	November 27, 2019	February 2007 Acquisition of land use rights	RMB 23,150 thousand	RMB 328,986 thousand	All payments had been received.	RMB 85,436 thousand (Note)	Yangzhou Economic and Technological Development Zone's Demolition Placement Management Office	Non-related party	Cooperating with the government's regional expropriation plan of Yangzhou Economic and Technological Development Zone.	Reference to the appraisal result by Zhongzheng real estate appraisal cost Group Co., Ltd. and Jiangsu Zhong Run Assets Appraisal Co., Ltd., and the local government compensation regulations of land reserve and house demolition.	-

Note: The total transaction amount was RMB328,986 thousand. The Group had received all payments in October 2020. The Group 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).

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, 2020
(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	\$ (3,272,851)	(23)	By agreements	\$ -	-	\$ 869,096	24	
	PVI International Corp.	Subsidiary	Sale	(402,714)	(3)	By agreements	-	-	-	-	
	E Ink Corporation	Subsidiary	Purchase	3,426,707	33	By agreements	-	-	(697,400)	(25)	
	YuanHan Materials Inc.	Subsidiary	Sale	(1,193,439)	(8)	By agreements	-	-	88,067	2	
	YuanHan Materials Inc.	Subsidiary	Purchase	401,248	4	By agreements	-	-	(42,159)	(2)	
	Linfiny Corporation	Subsidiary	Purchase	146,547	1	By agreements	-	-	(32,138)	(1)	
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Purchase	1,594,323	16	By agreements	-	-	(1,887,771)	(68)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	740,720	7	By agreements	-	-	(14,428)	(1)	
YuanHan Materials Inc.	E Ink Holdings Inc.	Parent company	Sale	(401,248)	(16)	By agreements	-	-	42,159	100	
	E Ink Holdings Inc.	Parent company	Purchase	1,193,439	80	By agreements	-	-	(88,067)	(100)	
Linfiny Corporation	Linfiny Japan Inc.	Subsidiary	Purchase	105,319	76	By agreements	-	-	(23,896)	(100)	
	E Ink Holdings Inc.	Parent company	Sale	(146,547)	(68)	By agreements	-	-	32,138	100	
Linfiny Japan Inc.	Linfiny Corporation	Parent company	Sale	(105,319)	(94)	By agreements	-	-	23,896	100	
Prime View Communications Ltd.	E Ink Holdings Inc.	Parent company	Purchase	3,272,851	100	By agreements	-	-	(869,096)	(100)	
PVI International Corp.	E Ink Holdings Inc.	Parent company	Purchase	402,714	100	By agreements	-	-	-	-	
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	Sale	(1,594,323)	(100)	By agreements	-	-	1,887,771	100	
E Ink Corporation	E Ink Holdings Inc.	Parent company	Sale	(3,426,707)	(100)	By agreements	-	-	697,400	96	
	E Ink California, LLC	Subsidiary	Purchase	503,332	20	By agreements	-	-	(448,586)	(98)	
E Ink California, LLC	E Ink Corporation	Parent company	Sale	(503,332)	(100)	By agreements	-	-	448,586	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, 2020
(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. Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary Subsidiary	\$ 869,096 2,673,605	4.86 (Note 1)	\$ - 642,933	- Collected	\$ 776,395 1,395,740	\$ - -
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	1,887,771	(Note 1)	58,343	Collected	1,253,493	-
E Ink Corporation	E Ink Holdings Inc.	Parent company	697,400	6.00	486,855	Collected	618,630	-
E Ink California, LLC	E Ink Corporation	Parent company	448,586	1.30	313,525	In the process of collection	42,904	-

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, 2020
(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, 2020			Net Income (Loss) of Investee	Share of Profit (Loss) of Investee	Note
				December 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
E Ink Holdings Inc.	PVI Global Corp.	British Virgin Islands	Investment	\$ 3,360,434	\$ 3,090,254	108,413	100.00	\$ 15,387,931	\$ 1,906,565	\$ 1,906,565	(Note)
	New Field e-Paper Co., Ltd.	Taoyuan, Taiwan	Wholesale and sale of electronics parts	6,394,455	6,394,455	671,032	100.00	5,112,044	(87,620)	(87,620)	(Note)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	4,911,303	4,911,303	1	45.31	4,036,496	84,692	(92,900)	(Note)
	YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	Taipei, Taiwan	Research, development and sale of electronic parts and electronic ink	6,420,230	6,420,230	183,819	100.00	5,446,007	1,131,086	1,129,498	(Note)
	Dream Universe Ltd.	Mauritius	Trading	128,710	128,710	4,050	100.00	359,170	5,571	5,571	(Note)
	Prime View Communications Ltd.	Hong Kong	Trading	18,988	18,988	3,570	100.00	(3,859)	(31,402)	(31,402)	(Note)
	Enttek Co., Ltd.	Taichung, Taiwan	Manufacture and sale of consumer audio-visual systems	34,547	34,547	2,203	47.07	-	-	-	Under liquidation
	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	49,267	49,267	1,550	0.09	3,602	(82,210)	(74)	(Note)
	Hot Tracks International Ltd.	British Virgin Islands	Trading	-	1,735	-	-	-	-	-	Liquidated
	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	16,800	16,800	1,680	4.00	944	(48,409)	(1,936)	(Note)
Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	6,597	-	224	2.66	1,888	(74,475)	(4,709)	(Note)	
			15,065	-	-	100.00	14,896	1,592	177	(Note)	
New Field e-Paper Co., Ltd.	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	4,865,850	4,865,850	1,748,252	99.91	3,998,940	(82,210)	(82,136)	(Note)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	1,618,500	1,618,500	-	12.88	1,147,430	84,692	(26,408)	(Note)
YuanHan Materials Inc.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	323,400	323,400	32,340	77.00	18,170	(48,409)	(37,275)	(Note)
	Lucky Joy Holdings Ltd.	Samoa	Investment	-	36,117	-	-	-	-	-	Liquidated
	Yuen Foong Yu Biotech Co., Ltd.	Taipei, Taiwan	Cultivation, processing and sale of agriculture and restaurant management	36,000	36,000	3,600	36.00	-	(96,321)	-	(Note)
Kyoritsu Optronics Co., Ltd.,	Taipei, Taiwan	Technology development, transfer and licensing of flat panels	18,860	18,860	1,050	25.65	-	-	-	(Note)	
Linfiny Corporation	Linfiny Japan Inc.	Tokyo, Japan	Research and development of electronic ink	11,088	11,088	4	100.00	25,137	1,974	1,974	(Note)
E Ink Corporation	E Ink California, LLC	California, USA	Research, development and sale of electronic ink	US\$ 29,100 thousand	US\$ 29,100 thousand	27,400	100.00	US\$ 31,780 thousand	US\$ 3,515 thousand	US\$ 1,468 thousand	(Note)
	E Ink Japan Inc.	Tokyo, Japan	Development of electronic ink products	-	US\$ 86 thousand	-	-	-	US\$ 53 thousand	US\$ 47 thousand	(Note)
Tech Smart Logistics Ltd.	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	US\$ 152,875 thousand	US\$ 152,875 thousand	1	41.81	US\$ 124,764 thousand	US\$ 3,374 thousand	US\$ (2,577) thousand	(Note)
PVI Global Corp.	PVI International Corp.	British Virgin Islands	Trading	US\$ 160,300 thousand	US\$ 151,300 thousand	160,300	100.00	US\$ 138,240 thousand	US\$ 13,073 thousand	US\$ 13,073 thousand	(Note)
	Dream Pacific International Corp.	British Virgin Islands	Investment	US\$ 1,000 thousand	US\$ 1,000 thousand	26,000	100.00	US\$ 324,962 thousand	US\$ 50,554 thousand	US\$ 50,554 thousand	(Note)
	Ruby Lustre Ltd.	British Virgin Islands	Investment	US\$ 30,000 thousand	US\$ 30,000 thousand	30,000	100.00	US\$ 27,557 thousand	US\$ (202) thousand	US\$ (202) thousand	(Note)
	North Diamond International Co., Ltd.	British Virgin Islands	Investment	US\$ 1,750 thousand	US\$ 1,750 thousand	1,750	35.00	-	-	-	(Note)
	Rock Pearl International Corp.	British Virgin Islands	Investment	US\$ 1,540 thousand	US\$ 1,540 thousand	1,540	35.00	-	-	-	(Note)
Dream Pacific International Corp.	Hydis Technologies Co., Ltd.	South Korea	Research, development and licensing of monitors	US\$ 27,612 thousand	US\$ 27,612 thousand	3,783	94.73	US\$ 333,336 thousand	US\$ 51,338 thousand	US\$ 49,751 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	29.76	KRW 1,075,862 thousand	KRW (2,975,279) thousand	KRW (1,110,361) thousand	(Note)

Note: All intercompany transactions have been eliminated upon consolidation.

TABLE 9

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

(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, 2020 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Transcend Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	\$ 4,565,344 (US\$ 160,300 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	\$ 3,099,906 (US\$ 108,845 thousand)	\$ 256,320 (US\$ 9,000 thousand)	\$ -	\$ 3,356,226 (US\$ 117,845 thousand)	\$ 365,019 (US\$ 12,353 thousand)	100.00	\$ 386,176 (US\$ 13,069 thousand)	\$ 3,930,696 (US\$ 138,016 thousand)	\$ -
Rich Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	854,400 (US\$ 30,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	854,400 (US\$ 30,000 thousand)	-	-	854,400 (US\$ 30,000 thousand)	(5,969) (US\$ (202) thousand)	100.00	(5,969) (US\$ (202) thousand)	784,823 (US\$ 27,557 thousand)	-
Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	1,051,795 (US\$ 36,931 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	(13,090) (US\$ (443) thousand)	100.00	(13,090) (US\$ (443) thousand)	828,255 (US\$ 29,082 thousand)	-
Transmart Electronics (Yangzhou) Ltd. (liquidated)	Research, development and sale of flat panels	-	The Company indirectly owns the investee through an investment company registered in a third region	188,253 (US\$ 6,610 thousand)	-	-	188,253 (US\$ 6,610 thousand)	13,415 (US\$ 454 thousand)	-	25,974 (US\$ 879 thousand)	-	-
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	529,728 (US\$ 18,600 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	85,440 (US\$ 3,000 thousand)	-	-	85,440 (US\$ 3,000 thousand)	97,246 (US\$ 3,291 thousand)	100.00	97,246 (US\$ 3,291 thousand)	(668,312) (US\$ (23,466) thousand)	-
Dihao Electronics (Yangzhou) Co., Ltd. (Under liquidation)	Assembly of LCD backlight board display modules	142,400 (US\$ 5,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	49,840 (US\$ 1,750 thousand)	-	-	49,840 (US\$ 1,750 thousand)	-	35.00	-	-	-
NTX Electronics Yangzhou Co., Ltd.	Manufacture and sale of flat panels	174,593 (RMB 40,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	13,174 (RMB 3,076 thousand)	49.00	6,291 (RMB 1,507 thousand)	99,658 (RMB 22,832 thousand)	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,534,159 (US\$ 159,205 thousand)	\$ 7,391,899 (US\$ 259,547 thousand)	\$ 21,578,506

Note 1: The amounts are translated at the exchange rate of US\$1 = NT\$28.48 and RMB1 = NT\$4.36482 on December 31, 2020.

Note 2: The amounts are translated at the average exchange rate of US\$1 = NT\$29.549 and RMB1 = NT\$4.28271 for the year ended December 31, 2020.

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

Note 4: Refer to Tables 1, 5, 6 and 7, 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, 2020
(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	Sales	\$ 3,272,851	By agreements	21.3
		Prime View Communications Ltd.	Subsidiary	Accounts receivable from related parties	869,096	By agreements	1.9
		E Ink Corporation	Subsidiary	Accounts payable to related parties	697,400	By agreements	1.5
		E Ink Corporation	Subsidiary	Cost of goods sold	3,426,707	By agreements	22.3
		YuanHan Materials Inc.	Subsidiary	Sales	1,193,439	By agreements	7.8
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Accounts receivable from related parties	2,673,605	By agreements	5.8
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Accounts payable to related parties	1,887,771	By agreements	4.1
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Cost of goods sold	1,594,323	By agreements	10.4
1	Hydis Technologies Co., Ltd.	YuanHan Materials Inc.	Same ultimate parent company	Other receivables from related parties	1,285,186	By agreements	2.8
							3.3
2	E Ink California, LLC	E Ink Corporation	Parent Company	Sales	503,332	By agreements	

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.

TABLE 11**E INK HOLDINGS INC.****INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

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
Cathay Life Insurance Co., Ltd.	64,175,737	5.62

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.

E Ink Holdings Inc.

**Financial Statements for the
Years Ended December 31, 2020 and 2019 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 is stated as follows:

Sales Revenue - Recognition of Sales Revenue of Electronic Shelf Labels Products

The Company mainly sells products, such as monitors and electronic shelf labels, which were affected by the changes in the end-market demand due to the COVID-19 pandemic this year. The Company adjusted its product assortment to increase the group overall gross profit margin and consequently increased the risk of the occurrence of sales revenue transactions from electronic shelf label products, which carried high gross profit margin. Therefore, the recognition of sales revenue of electronic shelf label 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 of electronic shelf label products.
2. We sampled the sales details of electronic shelf label products, inspected receipts signed by the customers or export declaration of overseas sales, and confirmed the receipt of payments.
3. We inspected subsequent significant sales returns and allowances.

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, 2020, 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 16, 2021

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash and cash equivalents (Note 6)	\$ 764,953	2	\$ 1,021,441	3
Accounts receivable (Notes 9 and 17)	652,362	2	985,790	3
Accounts receivable from related parties (Notes 9 and 25)	3,641,276	9	2,665,187	7
Inventories (Note 10)	1,687,744	4	1,663,656	4
Prepayments	76,991	-	69,725	-
Other current assets (Notes 7, 19, 25 and 26)	69,043	-	63,449	-
Total current assets	<u>6,892,369</u>	<u>17</u>	<u>6,469,248</u>	<u>17</u>
NON-CURRENT ASSETS (Note 4)				
Financial assets at fair value through profit or loss (Note 7)	-	-	60,285	-
Financial assets at fair value through other comprehensive income (Notes 8 and 25)	1,648,432	4	1,361,416	4
Investments accounted for using the equity method (Notes 11 and 25)	30,362,978	73	27,029,983	72
Property, plant and equipment (Notes 12, 18, 22 and 25)	1,314,914	3	1,330,352	3
Right-of-use assets (Notes 13 and 18)	815,267	2	840,585	2
Other intangible assets (Notes 18 and 25)	236,373	-	246,717	1
Deferred tax assets (Note 19)	353,785	1	275,583	1
Other non-current assets	53,032	-	52,995	-
Total non-current assets	<u>34,784,781</u>	<u>83</u>	<u>31,197,916</u>	<u>83</u>
TOTAL	<u>\$ 41,677,150</u>	<u>100</u>	<u>\$ 37,667,164</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Short-term borrowings (Note 14)	\$ 3,849,400	9	\$ 2,940,000	8
Short-term bills payable (Note 14)	699,656	2	379,919	1
Contract liabilities (Note 17)	309,018	1	150,411	-
Notes and accounts payable	1,276,194	3	885,690	2
Accounts payable to related parties (Note 25)	2,766,901	7	2,519,458	7
Other payables (Notes 22 and 25)	680,615	2	591,624	2
Current tax liabilities (Note 19)	286,455	1	45,598	-
Receipts in advance (Note 25)	198,262	-	112,953	-
Other current liabilities (Note 13)	108,530	-	70,346	-
Total current liabilities	<u>10,175,031</u>	<u>25</u>	<u>7,695,999</u>	<u>20</u>
NON-CURRENT LIABILITIES (Note 4)				
Long-term borrowings (Note 14)	63,000	-	-	-
Contract liabilities (Note 17)	30,600	-	67,087	-
Lease liabilities (Note 13)	805,440	2	824,971	2
Net defined benefit liabilities (Note 15)	85,314	-	76,941	1
Other non-current liabilities (Notes 11, 19 and 25)	9,155	-	2,027	-
Total non-current liabilities	<u>993,509</u>	<u>2</u>	<u>971,026</u>	<u>3</u>
Total liabilities	<u>11,168,540</u>	<u>27</u>	<u>8,667,025</u>	<u>23</u>
EQUITY (Notes 16 and 21)				
Share capital	11,404,677	27	11,404,677	30
Capital surplus	10,310,536	25	10,306,993	27
Retained earnings	8,760,870	21	7,428,382	20
Other equity	142,559	-	(29,881)	-
Treasury shares	(110,032)	-	(110,032)	-
Total equity	<u>30,508,610</u>	<u>73</u>	<u>29,000,139</u>	<u>77</u>
TOTAL	<u>\$ 41,677,150</u>	<u>100</u>	<u>\$ 37,667,164</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 25)	\$ 14,365,868	100	\$ 12,860,810	100
OPERATING COSTS (Notes 10, 18 and 25)	<u>11,334,861</u>	<u>79</u>	<u>10,715,354</u>	<u>83</u>
GROSS PROFIT	<u>3,031,007</u>	<u>21</u>	<u>2,145,456</u>	<u>17</u>
OPERATING EXPENSES (Notes 18 and 25)				
Selling and marketing expenses	331,838	2	393,693	3
General and administrative expenses	644,057	5	657,956	5
Research and development expenses	<u>1,092,299</u>	<u>8</u>	<u>999,315</u>	<u>8</u>
Total operating expenses	<u>2,068,194</u>	<u>15</u>	<u>2,050,964</u>	<u>16</u>
INCOME FROM OPERATIONS	<u>962,813</u>	<u>6</u>	<u>94,492</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 18)	7,015	-	9,929	-
Royalty income (Notes 4 and 17)	248,072	2	248,388	2
Dividend income	85,417	-	66,208	-
Other income (Note 25)	40,330	-	40,007	-
Net gain (loss) on disposal of property, plant and equipment	(80,477)	(1)	6,011	-
Net loss on foreign currency exchange (Note 29)	(167,533)	(1)	(64,791)	(1)
Share of profit of subsidiaries and associates accounted for using the equity method	2,823,170	20	2,806,352	22
Interest expenses (Note 12)	(53,297)	-	(37,839)	-
Other expenses (Note 25)	(7,628)	-	(2,644)	-
Net loss on fair value change of financial assets and liabilities at fair value through profit or loss	(53,381)	-	(17,715)	-
Impairment loss (Notes 4 and 12)	<u>-</u>	<u>-</u>	<u>(12,895)</u>	<u>-</u>
Total non-operating income and expenses	<u>2,841,688</u>	<u>20</u>	<u>3,041,011</u>	<u>23</u>
INCOME BEFORE INCOME TAX	3,804,501	26	3,135,503	24
INCOME TAX EXPENSE (Notes 4 and 19)	<u>(201,912)</u>	<u>(1)</u>	<u>(51,714)</u>	<u>-</u>
NET INCOME FOR THE YEAR	<u>3,602,589</u>	<u>25</u>	<u>3,083,789</u>	<u>24</u>

(Continued)

E INK HOLDINGS INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	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)	\$ (10,494)	-	\$ (14,690)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(12,534)	-	251,164	2
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	288,241	2	739,622	6
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>(8,923)</u>	<u>-</u>	<u>2,938</u>	<u>-</u>
	<u>256,290</u>	<u>2</u>	<u>979,034</u>	<u>8</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>(86,656)</u>	<u>(1)</u>	<u>(756,459)</u>	<u>(6)</u>
Other comprehensive income for the year, net of income tax	<u>169,634</u>	<u>1</u>	<u>222,575</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,772,223</u>	<u>26</u>	<u>\$ 3,306,364</u>	<u>26</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 3.18</u>		<u>\$ 2.72</u>	
Diluted	<u>\$ 3.17</u>		<u>\$ 2.71</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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings				Other Equity		Treasury Shares	Total
	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		
BALANCE AT JANUARY 1, 2019	1,140,468	\$ 11,404,677	\$ 10,243,293	\$ 1,512,287	\$ 70,678	\$ 5,138,085	\$ 6,721,050	\$ (181,328)	\$ (74,147)	\$ (184,900)	\$ 27,928,645
Appropriation of 2018 earnings											
Legal reserve	-	-	-	261,367	-	(261,367)	-	-	-	-	-
Special reserve	-	-	-	-	184,797	(184,797)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,373,438)	(2,373,438)	-	-	-	(2,373,438)
Unclaimed dividends extinguished by prescription	-	-	26	-	-	-	-	-	-	-	26
Net income for the year ended December 31, 2019	-	-	-	-	-	3,083,789	3,083,789	-	-	-	3,083,789
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(10,697)	(10,697)	(756,459)	989,731	-	222,575
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	3,073,092	3,073,092	(756,459)	989,731	-	3,306,364
Share-based payments	-	-	63,912	-	-	-	-	-	-	-	63,912
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	7,678	7,678	-	(7,678)	-	-
Treasury shares transferred to employees	-	-	(238)	-	-	-	-	-	-	74,868	74,630
BALANCE AT DECEMBER 31, 2019	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

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,804,501	\$ 3,135,503
Adjustments for		
Depreciation expenses	246,417	273,394
Amortization expenses	50,658	47,314
Expected credit loss recognized (reversed) on accounts receivable	18,058	(230)
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	53,381	17,715
Interest expenses	53,297	37,839
Interest income	(7,015)	(9,929)
Dividend income	(85,417)	(66,208)
Compensation costs of share-based payments	(547)	38,909
Share of profit of subsidiaries and associates accounted for using the equity method	(2,823,170)	(2,806,352)
Net loss (gain) on disposal of property, plant and equipment	80,477	(6,011)
Net loss on disposal of investments	2,349	-
Impairment loss	-	12,895
Write-downs of inventories	43,411	102,850
Net unrealized loss (gain) on foreign currency exchange	(29,160)	48,829
Royalty income	(248,072)	(248,388)
Changes in operating assets and liabilities		
Accounts receivable	354,254	(323,422)
Accounts receivable from related parties	(986,127)	464,918
Inventories	(67,499)	(89,642)
Prepayments	(7,517)	41,534
Other current assets	618	3,595
Contract liabilities	370,192	196,475
Notes and accounts payable	381,158	(288,933)
Accounts payable to related parties	251,510	(618,720)
Other payables	51,983	42,957
Receipts in advance	64,872	58,400
Other current liabilities	41,052	(6,414)
Net defined benefit liabilities	(2,121)	(2,567)
Cash generated from operations	1,611,543	56,311
Income tax paid	(31,724)	(126,704)
Net cash generated from (used in) operating activities	<u>1,579,819</u>	<u>(70,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(299,550)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	9,928
Acquisition of financial assets at amortized cost	(34,585)	(34,666)
Proceeds from disposal of financial assets at amortized cost	34,666	36,835

(Continued)

E INK HOLDINGS INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Acquisition of financial assets at fair value through profit or loss	\$ -	\$ (78,000)
Acquisition of subsidiaries	(285,245)	(4,340)
Acquisition of property, plant and equipment	(263,621)	(261,619)
Proceeds from disposal of property, plant and equipment	11,571	6,071
Decrease (increase) in other receivables from related parties	(1,326)	4,474
Acquisition of other intangible assets	(33,319)	(36,581)
Decrease (increase) in other non-current assets	(59)	58
Interest received	7,151	9,899
Dividends received	<u>85,417</u>	<u>1,188,712</u>
Net cash generated from (used in) investing activities	<u>(778,900)</u>	<u>840,771</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	907,900	1,710,000
Increase (decrease) in short-term bills payable	319,737	(19,893)
Increase in long-term borrowings	63,000	-
Decrease in other payables to related parties	(6,181)	(249,146)
Repayment of the principal portion of lease liabilities	(20,927)	(20,616)
Increase (decrease) in other non-current liabilities	(390)	329
Cash dividends	(2,268,726)	(2,373,438)
Proceeds from treasury shares transferred to employees	-	74,630
Interest paid	(51,820)	(37,789)
Proceeds from unclaimed dividends extinguished by prescription	<u>-</u>	<u>26</u>
Net cash used in financing activities	<u>(1,057,407)</u>	<u>(915,897)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(256,488)	(145,519)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,021,441</u>	<u>1,166,960</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 764,953</u>	<u>\$ 1,021,441</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, 2020 AND 2019 (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 16, 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 Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<u>New, Amended or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

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

- 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)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 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 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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 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 3: 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 4: 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 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

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.

As of the date the financial statements were issued, 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 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 (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

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

e. Inventories

Inventories consist of raw materials, 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 and joint ventures 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 and joint venture.

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.

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 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 economic implications of the COVID-19 when making its critical accounting estimates. 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 AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 183	\$ 183
Checking accounts and demand deposits	764,770	631,307
Cash equivalents - repurchase agreements collateralized by notes	<u>-</u>	<u>389,951</u>
	<u>\$ 764,953</u>	<u>\$ 1,021,441</u>

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

	<u>December 31</u>	
	2020	2019
Demand deposits	0.01%-0.2%	0.01%-0.55%
Repurchase agreements collateralized by notes	-	2.2%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2020	2019
<u>Financial assets - current</u> (included in other current assets)		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 6,904	\$ -
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Convertible preferred shares	\$ -	\$ 60,285

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<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>	
	2020	2019
<u>Investments in equity instruments - non-current</u>		
Domestic listed shares	\$ 1,632,892	\$ 1,361,416
Domestic emerging market shares	15,540	-
	<u>\$ 1,648,432</u>	<u>\$ 1,361,416</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

	December 31	
	2020	2019
Accounts receivable	\$ 653,252	\$ 986,680
Less: Loss allowance	<u>(890)</u>	<u>(890)</u>
	<u>652,362</u>	<u>985,790</u>
Accounts receivable from related parties (Note 25)	3,658,949	2,665,187
Less: Loss allowance	<u>(17,673)</u>	<u>-</u>
	<u>3,641,276</u>	<u>2,665,187</u>
	<u>\$ 4,293,638</u>	<u>\$ 3,650,977</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 details the loss allowance for accounts receivable:

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>

December 31, 2019

	Not Past Due	Past Due in 1- 90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	2%	
Gross carrying amount	\$ 3,330,814	\$ 269,261	\$ 51,792	\$ 3,651,867
Loss allowance	<u>-</u>	<u>-</u>	<u>(890)</u>	<u>(890)</u>
Amortized cost	<u>\$ 3,330,814</u>	<u>\$ 269,261</u>	<u>\$ 50,902</u>	<u>\$ 3,650,977</u>

The movements of the loss allowance were as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ 890	\$ 1,120
Add: Expected credit losses recognized (reversed)	18,058	(230)
Foreign exchange translation gains and losses	<u>(385)</u>	<u>-</u>
Balance at December 31	<u>\$ 18,563</u>	<u>\$ 890</u>

10. INVENTORIES

	<u>December 31</u>	
	2020	2019
Finished goods	\$ 659,958	\$ 782,872
Semi-finished goods	276,252	232,846
Work in progress	105,110	66,412
Raw materials	<u>646,424</u>	<u>581,526</u>
	<u>\$ 1,687,744</u>	<u>\$ 1,663,656</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 included write-downs of inventories of \$43,411 thousand and \$102,850 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2020	2019
Investments in subsidiaries	\$ 30,361,090	\$ 27,029,983
Investments in associates	<u>1,888</u>	<u>-</u>
	<u>\$ 30,362,978</u>	<u>\$ 27,029,983</u>

a. Investment in subsidiaries

	<u>December 31</u>	
	2020	2019
Unlisted companies		
PVI Global Corp.	\$ 15,387,931	\$ 12,910,061
YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	5,446,007	4,051,482
New Field e-Paper Co., Ltd.	5,112,044	5,476,644
E Ink Corporation	4,036,496	4,184,838
Dream Universe Ltd.	359,170	372,492
E Ink Japan Inc.	14,896	-
Tech Smart Logistics Ltd.	3,602	3,861
Linfiny Corporation	944	2,880
Prime View Communications Ltd. (Note)	-	27,679
Hot Tracks International Ltd.	<u>-</u>	<u>46</u>
	<u>\$ 30,361,090</u>	<u>\$ 27,029,983</u>

Note: As of December 31, 2020, the investment in Prime View Communications Ltd. was recorded as other non-current liabilities due to the credit balance of \$3,859 thousand.

Name of subsidiary	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
PVI Global Corp. (Note 4)	100.00%	100.00%
New Field e-Paper Co., Ltd.	100.00%	100.00%
E Ink Corporation (Note 1)	45.31%	45.31%
YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.) (Note 2)	100.00%	100.00%
Dream Universe Ltd.	100.00%	100.00%
Prime View Communications Ltd.	100.00%	100.00%
Tech Smart Logistics Ltd. (Note 1)	0.09%	0.09%
Linfiny Corporation (Note 3)	4.00%	4.00%
Hot Tracks International Ltd. (Note 5)	-	100.00%
E Ink Japan Inc. (Note 6)	100.00%	-

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 simplify the Group's organization management, integrate the utilization of resources and increase operational efficiency, the board of directors of the subsidiary, Yuen Yu Investment Co., Ltd., approved on April 19, 2019 to merge its subsidiary YuanHan Materials Inc. by absorption. The reference date of the merger was on June 1, 2019, with Yuen Yu Investment Co., Ltd. as the surviving company, which was renamed as YuanHan Materials Inc. after the merger. In addition, the board of directors of YuanHan Materials Inc. approved the issuance of new shares on August 16, 2019 to merge the subsidiary, SiPix Technology Inc. The reference date of the merger is set on October 1, 2019, with YuanHan Materials Inc. as the surviving company.

Note 3: 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 4: The board of directors of the PVI Global Corp.'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, the Company invested US\$9,000 thousand in cash in its subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., through PVI Global Corp. and PVI International Corp.

Note 5: Hot Tracks International Ltd. has completed its liquidation process in October 2020.

Note 6: To adjust the investment structure, the Company purchased 100% ownership of E Ink Japan Inc. from E Ink Corporation in September 2020.

These subsidiaries are included in the consolidated financial statements of the Company as of December 31, 2020 and 2019.

b. Investments in associates

	December 31	
	2020	2019
Associates that are not individually material	<u>\$ 1,888</u>	<u>\$ -</u>
<u>Aggregate information of associates that are not individually material</u>		
	For the Year Ended December 31	
	2020	2019
The Company's share of Net loss for the year	<u>\$ (4,709)</u>	<u>\$ -</u>

In July 2020, the Company acquired 2.66% ownership of Plastic Logic HK Limited, which increased the combined shareholding percentage to 32.42%. 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 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, 2019	\$ 1,983,939	\$ 5,185,041	\$ 1,167,685	\$ 103,603	\$ 8,440,268
Additions	1,039	8,785	41,911	164,496	216,231
Disposals	-	(64,149)	(5,315)	-	(69,464)
Reclassifications	<u>4,216</u>	<u>25,069</u>	<u>86,188</u>	<u>(118,699)</u>	<u>(3,226)</u>
Balance at December 31, 2019	<u>\$ 1,989,194</u>	<u>\$ 5,154,746</u>	<u>\$ 1,290,469</u>	<u>\$ 149,400</u>	<u>\$ 8,583,809</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2019	\$ 1,246,897	\$ 4,946,093	\$ 870,280	\$ -	\$ 7,063,270
Depreciation expenses	40,364	85,774	120,618	-	246,756
Impairment losses recognized	-	-	12,895	-	12,895
Disposals	<u>-</u>	<u>(64,149)</u>	<u>(5,315)</u>	<u>-</u>	<u>(69,464)</u>
Balance at December 31, 2019	<u>\$ 1,287,261</u>	<u>\$ 4,967,718</u>	<u>\$ 998,478</u>	<u>\$ -</u>	<u>\$ 7,253,457</u>
Carrying amount at December 31, 2019	<u>\$ 701,933</u>	<u>\$ 187,028</u>	<u>\$ 291,991</u>	<u>\$ 149,400</u>	<u>\$ 1,330,352</u>
<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>

(Continued)

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<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>

(Concluded)

For part of the Company's equipment with no future use, the Company 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 \$12,895 thousand for the year ended December 31, 2019.

Information about the capitalized interest is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Capitalized interest	<u>\$ 1,274</u>	<u>\$ 1,164</u>
Capitalization rate intervals	<u>0.83-0.98%</u>	<u>0.95-1.23%</u>

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

Buildings	
Main buildings	56 years
Clean rooms and plumbing construction	25-30 years
Others	2-14 years
Machinery	1-9 years
Other equipment	1-26 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Land	\$ 813,458	\$ 838,338
Other equipment	<u>1,809</u>	<u>2,247</u>
	<u>\$ 815,267</u>	<u>\$ 840,585</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 1,320</u>	<u>\$ -</u>
Depreciation of right-of-use assets		
Land	\$ 24,880	\$ 24,880
Other equipment	<u>1,758</u>	<u>1,758</u>
	<u>\$ 26,638</u>	<u>\$ 26,638</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current (included in other current liabilities)	<u>\$ 20,731</u>	<u>\$ 20,819</u>
Non-current	<u>\$ 805,440</u>	<u>\$ 824,971</u>

Discount rate intervals for lease liabilities are as follows:

	December 31	
	2020	2019
Land	1.56%	1.56%
Other equipment	0.61-0.86%	0.8-0.86%

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	
	2020	2019
Expenses relating to short-term leases	<u>\$ 6,416</u>	<u>\$ 6,041</u>
Total cash outflow for leases	<u>\$ 40,344</u>	<u>\$ 39,969</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	
	2020	2019
Unsecured borrowings	\$ 3,449,400	\$ 2,940,000
Secured borrowings	<u>400,000</u>	<u>-</u>
	<u>\$ 3,849,400</u>	<u>\$ 2,940,000</u>
Foreign currency included US\$ (in thousands)	<u>\$ 30,000</u>	<u>\$ -</u>
Interest rate intervals	<u>0.80-0.94%</u>	<u>0.95-1.1%</u>

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	
	2020	2019
Commercial paper	\$ 700,000	\$ 380,000
Less: Discounts on bills payable	<u>344</u>	<u>81</u>
	<u>\$ 699,656</u>	<u>\$ 379,919</u>
Interest rate intervals	<u>0.31-0.65%</u>	<u>0.62-0.79%</u>

c. Long-term borrowings

	December 31	
	2020	2019
Unsecured borrowings	<u>\$ 63,000</u>	<u>\$ -</u>
Interest rate intervals	<u>0.65-0.80%</u>	<u>-</u>

Long-term unsecured borrowings will expire in December 2025, 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 banks on December 15, 2020, and the total credit facility is \$6,800,000 thousand. The duration period is within 5 years from the first drawdown date. As of December 31, 2020, the lines of credit has not been used.

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 153,141	\$ 142,734
Fair value of plan assets	<u>(67,827)</u>	<u>(65,793)</u>
Net defined benefit liabilities	<u>\$ 85,314</u>	<u>\$ 76,941</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, 2019	\$ 129,123	\$ (64,305)	\$ 64,818
Current service cost	943	-	943
Net interest expense (income)	<u>1,452</u>	<u>(747)</u>	<u>705</u>
Recognized in profit or loss	<u>2,395</u>	<u>(747)</u>	<u>1,648</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,101)	(2,101)
Actuarial (gain) loss			
Changes in demographic assumptions	4,775	-	4,775
Changes in financial assumptions	6,002	-	6,002
Experience adjustments	<u>6,014</u>	<u>-</u>	<u>6,014</u>
Recognized in other comprehensive income or loss	<u>16,791</u>	<u>(2,101)</u>	<u>14,690</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Contributions from the employer	\$ -	\$ (4,215)	\$ (4,215)
Benefits paid	<u>(5,575)</u>	<u>5,575</u>	<u>-</u>
Balance at December 31, 2019	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 or 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> (Concluded)

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

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

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

	December 31	
	2020	2019
Discount rates	0.5%	0.8%
Expected rates of salary increase	2.8%	2.8%

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

	<u>December 31</u>	
	2020	2019
Discount rates		
0.25% increase	<u>\$ (4,349)</u>	<u>\$ (4,162)</u>
0.25% decrease	<u>\$ 4,530</u>	<u>\$ 4,338</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 4,354</u>	<u>\$ 4,176</u>
0.25% decrease	<u>\$ (4,204)</u>	<u>\$ (4,029)</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>	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 3,718</u>	<u>\$ 4,541</u>
Average duration of the defined benefit obligation	11.8 years	12.1 years

16. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2020	2019
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>1,140,468</u>	<u>1,140,468</u>
Amount of shares issued	<u>\$ 11,404,677</u>	<u>\$ 11,404,677</u>

b. Capital surplus

	<u>December 31</u>	
	2020	2019
May be used to offset a deficit, distributed as <u>cash dividends or transferred to share capital (1)</u>		
Issuance of shares	\$ 9,494,322	\$ 9,494,322
Conversion of bonds	525,200	525,200
Treasury share transactions	151,920	151,920

(Continued)

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May only be used to offset a deficit</u>		
Expired employee share options	\$ 50,346	\$ 50,346
Changes in percentage of ownership interests in associates (2)	4,195	105
Unclaimed dividends extinguished by prescription	40	40
<u>May not be used for any purpose</u>		
Employee share options	<u>84,513</u>	<u>85,060</u>
	<u>\$ 10,310,536</u>	<u>\$ 10,306,993</u>
		(Concluded)

- 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 2019 and 2018, which were approved in the shareholders' meetings on June 18, 2020 and 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2019	2018	2019	2018
Legal reserve	\$ 308,077	\$ 261,367		
Reversal of special reserve	154,916	-		
Appropriations of special reserve	-	184,797		
Cash dividends	2,268,726	2,373,438	<u>\$ 2.0</u>	<u>\$ 2.1</u>

The appropriations of earnings for 2020 were proposed by the Company's board of directors on March 16, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 360,122	
Reversal of special reserve	29,881	
Cash dividends	3,062,779	<u>\$2.7</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, 2021.

d. Special reserve

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 255,475	\$ 70,678
Appropriations in respect of		
Debits to other equity items	-	184,797
Reversals		
Reversal of the debits to other equity items	<u>(154,916)</u>	<u>-</u>
Balance at December 31	<u>\$ 100,559</u>	<u>\$ 255,475</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	
	2020	2019
Balance at January 1	\$ (937,787)	\$ (181,328)
Share of exchange differences of subsidiaries and associates accounted for using the equity method	(86,656)	(756,459)
Disposal of subsidiaries	<u>1,541</u>	<u>-</u>
Balance at December 31	<u>\$ (1,022,902)</u>	<u>\$ (937,787)</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 907,906	\$ (74,147)
Unrealized gain (loss) on equity instruments		
Recognized for the year	(12,534)	251,164
Share from subsidiaries and associates accounted for using the equity method	277,953	738,567
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal		
Recognized for the year	-	(7,678)
Share from subsidiaries and associates accounted for using the equity method	<u>(7,864)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,165,461</u>	<u>\$ 907,906</u>

f. Treasury shares

	For the Year Ended December 31	
	2020	2019
Number of shares (in thousands) at January 1	6,105	10,259
Transferred to employees	<u>-</u>	<u>(4,154)</u>
Number of shares (in thousands) at December 31	<u>6,105</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' rights on these shares, such as the rights to dividends and to vote.

17. REVENUE

a. Revenue from contracts with customers

Type of Revenue/Category by Product	For the Year Ended December 31	
	2020	2019
Revenue from sale of goods		
Monitors	\$ 10,849,201	\$ 10,434,154
Electronic shelf labels	3,465,791	2,229,753
Others	<u>50,876</u>	<u>196,903</u>
	<u>\$ 14,365,868</u>	<u>\$ 12,860,810</u>
Royalty income	<u>\$ 248,072</u>	<u>\$ 248,388</u>

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (Note 9)	<u>\$ 652,362</u>	<u>\$ 985,790</u>	<u>\$ 676,905</u>
Contract liabilities - current			
Royalty	\$ 89,416	\$ 89,286	\$ 86,845
Sale of goods	<u>219,602</u>	<u>61,125</u>	<u>116,760</u>
	<u>309,018</u>	<u>150,411</u>	<u>203,605</u>
Contract liabilities - non-current			
Royalty	<u>30,600</u>	<u>67,087</u>	<u>65,806</u>
	<u>\$ 339,618</u>	<u>\$ 217,498</u>	<u>\$ 269,411</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	
	2020	2019
Royalty income	\$ 89,286	\$ 86,845
Revenue from sale of goods	<u>61,125</u>	<u>116,760</u>
	<u>\$ 150,411</u>	<u>\$ 203,605</u>

18. NET INCOME

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	\$ 6,842	\$ 9,725
Others	<u>173</u>	<u>204</u>
	<u>\$ 7,015</u>	<u>\$ 9,929</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 219,779	\$ 246,756
Other intangible assets	50,658	47,314
Right-of-use assets	<u>26,638</u>	<u>26,638</u>
	<u>\$ 297,075</u>	<u>\$ 320,708</u>
An analysis of depreciation by function		
Operating costs	\$ 121,166	\$ 136,725
Operating expenses	<u>125,251</u>	<u>136,669</u>
	<u>\$ 246,417</u>	<u>\$ 273,394</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 50,658</u>	<u>\$ 47,314</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits (Note 15)		
Defined contribution plans	\$ 43,278	\$ 44,591
Defined benefit plans	<u>1,656</u>	<u>1,648</u>
	44,934	46,239
Share-based payments		
Equity-settled	(547)	38,909
Other employee benefits	<u>1,214,693</u>	<u>1,197,985</u>
Total employee benefits expense	<u>\$ 1,259,080</u>	<u>\$ 1,283,133</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 204,873	\$ 219,684
Operating expenses	<u>1,054,207</u>	<u>1,063,449</u>
	<u>\$ 1,259,080</u>	<u>\$ 1,283,133</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, 2020 and 2019, which were approved by the Company's board of directors on March 16, 2021 and March 18, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Employees' compensation	<u>\$ 38,650</u>	<u>\$ 31,900</u>
Remuneration of directors	<u>\$ 20,000</u>	<u>\$ 15,579</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, 2019 and 2018.

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 258,196	\$ 67,665
Income tax on unappropriated earnings	34,438	6,682
Adjustments for the prior years	<u>(18,278)</u>	<u>4,683</u>
	274,356	79,030
Deferred tax		
In respect of the current year	<u>(72,444)</u>	<u>(27,316)</u>
Income tax expense recognized in profit or loss	<u>\$ 201,912</u>	<u>\$ 51,714</u>

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

	For the Year Ended December 31	
	2020	2019
Income before income tax	<u>\$ 3,804,501</u>	<u>\$ 3,135,503</u>
Income tax expense calculated at the statutory rate	\$ 760,900	\$ 627,101
Nondeductible expenses in determining taxable income	5,713	3,654
Tax-exempt income	(581,716)	(574,512)
Income tax on unappropriated earnings	34,438	6,682
Unrecognized loss carryforwards, deductible temporary differences and investment credits	855	(15,894)
Adjustments for the prior years	<u>(18,278)</u>	<u>4,683</u>
Income tax expense recognized in profit or loss	<u>\$ 201,912</u>	<u>\$ 51,714</u>

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	\$ 2,099	\$ 2,938
Share of the other comprehensive income (loss) of subsidiaries and associates	<u>(11,022)</u>	<u>-</u>
	<u>\$ (8,923)</u>	<u>\$ 2,938</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets (included in other current assets)		
Tax refund receivable	<u>\$ -</u>	<u>\$ 1,775</u>
Current tax liabilities		
Income tax payable	<u>\$ 286,455</u>	<u>\$ 45,598</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, 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>
<u>Deferred tax liabilities</u>				
Temporary differences				
Other	<u>\$ 524</u>	<u>\$ 3,659</u>	<u>\$ -</u>	<u>\$ 4,183</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventories	\$ 165,559	\$ 3,531	\$ -	\$ 169,090
Property, plant and equipment	26,336	(3,115)	-	23,221
Prepayments	17,639	-	-	17,639
Defined benefit plans	15,639	-	2,938	18,577
Deferred revenue	14,535	8,816	-	23,351
Others	<u>19,761</u>	<u>3,944</u>	<u>-</u>	<u>23,705</u>
	<u>\$ 259,469</u>	<u>\$ 13,176</u>	<u>\$ 2,938</u>	<u>\$ 275,583</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Other	<u>\$ 14,664</u>	<u>\$ (14,140)</u>	<u>\$ -</u>	<u>\$ 524</u>

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

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$13,663,229 thousand and \$10,735,435 thousand, respectively.

- f. Income tax assessments

The income tax returns of the Company through 2018 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2020	2019
Basic earnings per share (NT\$)	<u>\$ 3.18</u>	<u>\$ 2.72</u>
Diluted earnings per share (NT\$)	<u>\$ 3.17</u>	<u>\$ 2.71</u>

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

	<u>For the Year Ended December 31</u>	
	2020	2019
Net income for the year	<u>\$ 3,602,589</u>	<u>\$ 3,083,789</u>

Number of Shares

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares (in thousands) used in the computation of basic earnings per share	1,134,363	1,132,286
Effect of potentially dilutive ordinary shares (in thousands)		
Employees' compensation	1,149	1,178
Share-based payment arrangements	<u>2,464</u>	<u>3,464</u>
Weighted average number of ordinary shares (in thousands) used in the computation of diluted earnings per share	<u>1,137,976</u>	<u>1,136,928</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

The board of directors resolved on May 8, 2019, August 14, 2018, May 8, 2018 and March 22, 2017 to transfer treasury shares of 25 thousand shares, 5,885 thousand shares, 8,097 thousand shares and 7,289 thousand shares, respectively, to qualified employees of the Company and its subsidiaries. In compliance with the Company's Regulations Governing Share Repurchase and Transfer to Employees, the transfer price for each arrangements is the average of the actual acquisition price of the treasury shares.

Information about treasury shares transferred to employees is as follows:

For the year ended December 31, 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
May 8, 2019	<u>25</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>-</u>
August 14, 2018	<u>5,885</u>	<u>-</u>	<u>40</u>	<u>599</u>	<u>5,246</u>
May 8, 2018	<u>8,097</u>	<u>-</u>	<u>7,913</u>	<u>184</u>	<u>-</u>
March 22, 2017	<u>7,289</u>	<u>-</u>	<u>5,917</u>	<u>1,372</u>	<u>-</u>

For the year ended December 31, 2019

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 8, 2019	<u>25</u>	<u>25</u>	<u>25</u>	<u>-</u>	<u>-</u>
August 14, 2018	<u>5,885</u>	<u>40</u>	<u>40</u>	<u>509</u>	<u>5,336</u>
May 8, 2018	<u>8,097</u>	<u>3,889</u>	<u>7,913</u>	<u>184</u>	<u>-</u>
March 22, 2017	<u>7,289</u>	<u>200</u>	<u>5,917</u>	<u>1,372</u>	<u>-</u>

Treasury shares transferred to employees in 2018 and 2017 were priced using a Black-Scholes pricing model,

while treasury shares transferred to employees in 2019 were measured using the difference between the grant date share price of \$36.6 and the exercise price of \$18.02, in which fair value of the share options was calculated as \$18.58. Compensation cost of \$547 thousand and the same amount of capital surplus - employee share options were reversed for the year ended December 31, 2020. Compensation cost recognized was \$38,909 thousand for the year ended December 31, 2019. The inputs to the models are as follows:

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

22. NON-CASH TRANSACTIONS

For the years ended December 31, 2020 and 2019, the Company entered into the following non-cash investing activities:

	For the Year Ended December 31	
	2020	2019
Acquisition of property, plant and equipment		
Increase in property, plant and equipment	\$ 303,384	\$ 216,231
Increase (decrease) in payables for construction and equipment (included in other payables)	<u>(39,763)</u>	<u>45,388</u>
Net cash paid	<u>\$ 263,621</u>	<u>\$ 261,619</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, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets				
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 6,904</u>	\$ <u> -</u>	\$ <u> 6,904</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 1,632,892	\$ -	\$ -	\$ 1,632,892
Domestic emerging market shares	<u> 15,540</u>	<u> -</u>	<u> -</u>	<u> 15,540</u>
	<u>\$ 1,648,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,648,432</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Hybrid financial assets				
Convertible preferred shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 60,285</u>	\$ <u> 60,285</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ <u>1,361,416</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u>1,361,416</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>	
	2020	2019
Balance at January 1	\$ 60,285	\$ -
Recognized in profit or loss	(60,285)	(17,715)
Purchases	<u> -</u>	<u> 78,000</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 60,285</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.

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

Convertible preferred 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 Company was discount for lack of marketability, which was 30% as of December 31, 2019. If the discount for lack of marketability increased by 1% while all other variables were held constant, the fair value would have decreased by \$861 thousand.

b. Categories of financial instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
FVTPL	\$ 6,904	\$ 60,285
Amortized cost (Note 1)	5,120,168	4,732,515
Equity instruments at FVTOCI	1,648,432	1,361,416
<u>Financial liabilities</u>		
Amortized cost (Note 2)	9,335,766	7,316,691

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable (including related parties) and other receivables (including related parties) (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 and debt 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, 2020 and 2019 would increase (decrease) by \$1,810 thousand and \$(12,735) 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>2020</u>	<u>2019</u>
Fair value interest rate risk		
Financial assets	\$ 34,585	\$ 424,617
Financial liabilities	\$ 4,612,056	\$ 3,319,919
Lease liabilities	\$ 826,171	\$ 845,790
Cash flow interest rate risk		
Financial assets	\$ 764,770	\$ 631,307

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, 2020 and 2019 would increase \$3,824 thousand and \$3,157 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 income before income tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$0 thousand and \$3,014 thousand, respectively, as a result of the change in fair value of financial assets at FVTPL, and the other comprehensive income or loss before income tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$82,422 thousand and \$68,071 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 and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company's unutilized bank borrowing facilities were \$11,930,710 thousand and \$2,479,700 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, 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>

December 31, 2019

	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	\$ 25,336	\$ 129,251	\$ 922,998
Fixed interest rate liabilities	<u>3,321,983</u>	<u>200,447</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,324,810</u>	<u>\$ 206,102</u>	<u>\$ 25,336</u>	<u>\$ 129,251</u>	<u>\$ 922,998</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>\$ 33,818</u>	<u>\$ 129,251</u>	<u>\$ 160,808</u>	<u>\$ 160,808</u>	<u>\$ 160,808</u>	<u>\$ 440,574</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>
SiPix Technology Inc. (Refer to Note 11)	Subsidiary
YuanHan Materials Inc. (Originally named Yuen Yu Investment Co., Ltd., refer to Note 11)	Subsidiary
New Field e-Paper Co., Ltd.	Subsidiary
YuanHan Materials Inc. (Refer to Note 11)	Subsidiary
Linfiny Corporation	Subsidiary
Linfiny Japan Inc.	Subsidiary
Rich Optronics (Yangzhou) Co., Ltd.	Subsidiary
Transyork Technology Yangzhou Ltd.	Subsidiary
Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary
Transmart Electronics (Yangzhou) Ltd.	Subsidiary
Tech Smart Logistics Ltd.	Subsidiary
PVI International Corp.	Subsidiary
Prime View Communications Ltd.	Subsidiary
Hydis Technologies Co., Ltd.	Subsidiary
Hot Tracks International Ltd.	Subsidiary
E Ink Corporation	Subsidiary
E Ink California, LLC	Subsidiary
E Ink Japan Inc.	Subsidiary
NTX Electronics Yangzhou Co., Ltd.	Associate
Plastic Logic HK Limited	Associate
PL Germany GmbH	Associate
Yuen Foong Yu Biotech Co., Ltd.	Associate
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
YFY Development Corp. (Originally named YFY Capital Co., Ltd.)	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
China Color Printing Co., Ltd.	Subsidiary of investor with significant influence over the Company
Fidelis IT Solutions Co., Ltd.	Subsidiary of investor with significant influence over the Company
S.C. Ho	Key management personnel

(Continued)

<u>Related Party Name</u>	<u>Related party Category</u>
Johnson Lee	Key management personnel
TGKW Management Limited	Substantive related party
Hsin Yi Enterprise Co., Ltd.	Substantive related party
Shen's Art Printing Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
SinoPac Securities Corp.	Substantive related party
Foongtone Technology Co., Ltd.	Substantive related party

(Concluded)

b. Sales of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary		
Prime View Communications Ltd.	\$ 3,272,851	\$ 3,211,841
PVI International Corp.	402,714	2,892,095
Others	<u>1,214,353</u>	<u>779,699</u>
	4,889,918	6,883,635
Associate	<u>20,625</u>	<u>40,277</u>
	<u>\$ 4,910,543</u>	<u>\$ 6,923,912</u>

The sales price and collection terms are based on the agreements with the related parties.

c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary		
E Ink Corporation	\$ 3,426,707	\$ 3,414,694
Transcend Optronics (Yangzhou) Co., Ltd.	1,594,323	1,256,895
Others	<u>412,957</u>	<u>191,853</u>
	5,433,987	4,863,442
Associate	740,725	459,790
Others	<u>1,735</u>	<u>31</u>
	<u>\$ 6,176,447</u>	<u>\$ 5,323,263</u>

The purchase price and payment terms are based on the agreements with the related parties.

d. Manufacturing cost (included in operating costs)

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary	<u>\$ 829,567</u>	<u>\$ 956,043</u>

e. Operating expenses

Related Party Category	For the Year Ended December 31	
	2020	2019
Subsidiary	\$ 216,962	\$ 129,645
Substantive related party	17,652	17,678
Associate	24,252	5,388
Subsidiary of investor with significant influence over the Company	<u>1,473</u>	<u>1,398</u>
	<u>\$ 260,339</u>	<u>\$ 154,109</u>

f. Non-operating income - other income

Related Party Category	For the Year Ended December 31	
	2020	2019
Subsidiary	\$ 2,177	\$ 3,125
Subsidiary of investor with significant influence over the Company	<u>17</u>	<u>-</u>
	<u>\$ 2,194</u>	<u>\$ 3,125</u>

g. Non-operating expense - other expenses

Related Party Category	For the Year Ended December 31	
	2020	2019
Key management personnel	\$ 4,771	\$ -
Subsidiary	<u>-</u>	<u>932</u>
	<u>\$ 4,771</u>	<u>\$ 932</u>

h. Receivables from related parties

Line Items	Related Party Category/Name	December 31	
		2020	2019
Accounts receivable from related parties	Subsidiary		
	Transcend Optronics (Yangzhou) Co., Ltd.	\$ 2,673,605	\$ 1,468,494
	Prime View Communications Ltd.	869,096	476,392
	YuanHan Materials Inc.	88,066	305,731
	PVI International Corp.	-	283,029
	Others	<u>10,509</u>	<u>3,220</u>
		3,641,276	2,536,866
	Associate	17,673	128,321
	Less: Loss allowance	<u>(17,673)</u>	<u>-</u>
		<u>-</u>	<u>128,321</u>
		<u>\$ 3,641,276</u>	<u>\$ 2,665,187</u>
Other receivables (include in other current assets)	Subsidiary	\$ <u>1,485</u>	\$ <u>159</u>

The outstanding receivables from related parties were unsecured.

i. Payables to related parties

Line Items	Related Party Category/Name	December 31	
		2020	2019
Accounts payable to related parties	Subsidiary		
	Transcend Optronics (Yangzhou) Co., Ltd.	\$ 1,887,771	\$ 1,321,897
	Tech Smart Logistics Ltd.	-	629,345
	E Ink Corporation	697,400	445,237
	Others	<u>161,750</u>	<u>122,835</u>
		2,746,921	2,519,314
	Associate	14,434	31
	Subsidiary of investor with significant influence over the Company	<u>5,546</u>	<u>113</u>
		<u>\$ 2,766,901</u>	<u>\$ 2,519,458</u>
Other payables to related parties (included in other payables)	Subsidiary	\$ 6,513	\$ 8,231
	Others	<u>499</u>	<u>532</u>
		<u>\$ 7,012</u>	<u>\$ 8,763</u>

The outstanding payables to related parties were unsecured.

j. Receipts in advance

Related Party Category/Name	December 31	
	2020	2019
Subsidiary - Transcend Optronics (Yangzhou) Co., Ltd.	<u>\$ 198,262</u>	<u>\$ 112,953</u>

k. Acquisition of property, plant and equipment

Related Party Category	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Associate	\$ 11,803	\$ -
Subsidiary	<u>1,930</u>	<u>243</u>
	<u>\$ 13,733</u>	<u>\$ 243</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
Subsidiary	Investments accounted for using the equity method	9,000	Equity	\$ 285,245
Associate	Investments accounted for using the equity method	224	Equity	<u>6,597</u>
Investor with significant influence over the Company	Financial assets at fair value through other comprehensive income	336	Shares	291,842 <u>11,424</u>
				<u>\$ 303,266</u>

To adjust the investment structure, the Company purchased 100% ownership of E Ink Japan Inc. from E Ink Corporation in September 2020.

In January 2020, the Company invested US\$9,000 thousand in cash in its subsidiary, PVI Global Corp.

In July 2020, the Company acquired 2.66% ownership of Plastic Logic HK Limited (included in investments accounted for using the equity method), which increased the combined shareholding ratio to 32.42%

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).

m. Acquisition of intangible assets

Related Party Category	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Associate	\$ <u>-</u>	\$ <u>18,609</u>

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

Related Party Category	December 31	
	2020	2019
Key management personnel	\$ 1,050	\$ 1,050
Others	<u>3</u>	<u>3</u>
	<u>\$ 1,053</u>	<u>\$ 1,053</u>

- o. Endorsements and guarantees provided by related parties

Related Party Category/Name	December 31	
	2020	2019
Subsidiary		
YuanHan Materials Inc.	\$ 1,850,000	\$ 850,000
E Ink Corporation	1,196,160	419,720
Linfiny Corporation	<u>350,000</u>	<u>410,000</u>
	<u>\$ 3,396,160</u>	<u>\$ 1,679,720</u>

- p. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 112,920	\$ 104,603
Post-employment benefits	1,235	1,459
Share-based payments	<u>-</u>	<u>31,611</u>
	<u>\$ 114,155</u>	<u>\$ 137,673</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 \$34,585 thousand and \$34,666 thousand as of December 31, 2020 and 2019, 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 \$208,330 thousand as of December 31, 2020.

Guaranteed notes issued for long-term and short-term borrowings and lines of credit for derivative instrument trading were \$9,040,000 thousand and \$6,220,000 thousand as of December 31, 2020 and 2019, respectively.

Guaranteed notes issued for syndicated loans were \$6,800,000 thousand as of December 31, 2020.

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. Although the domestic epidemic situation has slowed and the government's policies have been loosened, many countries are still under lockdown. There was no significant impact on the Company's operating revenue in 2020; however, part of the operating activities are still affected. As the global economic situation continues to tighten, 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, 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

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 152,364	29.98	\$ 4,567,873
Non-monetary items			
Investments accounted for using the equity method			
USD	483,581	29.98	14,497,749
<u>Foreign currency liabilities</u>			
Monetary items			
USD	109,885	29.98	3,294,352

The Company's net realized and unrealized losses on foreign currency exchange were \$167,533 thousand and \$64,791 thousand for the years ended December 31, 2020 and 2019, 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 (Table 5)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
- 9) Trading in derivative instruments (Note 7)

b. Information on investees (Table 8)

c. Information on investments in mainland China (Table 9)

- 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)

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, 2020
(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	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Other receivables	Yes	\$ 903,921 (RMB 206,222 thousand)	\$ 889,647 (RMB 203,822 thousand)	\$ -	3.915	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 3,930,660 (RMB 900,532 thousand)	\$ 3,930,660 (RMB 900,532 thousand)
2	Hydis Technologies Co., Ltd.	YuanHan Materials Inc.	Other receivables	Yes	1,300,050 (US\$ 45,000 thousand)	1,281,600 (US\$ 45,000 thousand)	1,281,600 (US\$ 45,000 thousand)	1.23	Short-term financing	-	Working capital	-	-	-	4,028,452 (KRW 152,362,038 thousand)	4,028,452 (KRW 152,362,038 thousand)
3	YuanHan Materials Inc.	New Field e-Paper Co., Ltd.	Other receivables	Yes	380,000	380,000	380,000	1.20	Short-term financing	-	Working capital	-	-	-	545,557	2,182,227
4	PVI Global Corp.	New Field e-Paper Co., Ltd.	Other receivables	Yes	442,350 (US\$ 15,000 thousand)	427,200 (US\$ 15,000 thousand)	427,200 (US\$ 15,000 thousand)	1.00	Short-term financing	-	Working capital	-	-	-	1,538,803 (US\$ 54,031 thousand)	6,155,183 (US\$ 216,123 thousand)

Note 1: The amounts are translated at the exchange rate of US\$1=NT\$28.48, RMB1=NT\$4.36482 and KRW1=NT\$0.02644 on December 31, 2020, except the maximum balance that is translated at the highest exchange rate at the end of each month for the year.

Note 2: Transcend Optronics (Yangzhou) Co., Ltd. provides financing to the foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, and the aggregate and individual financing limits to these subsidiaries shall not exceed 100% of the financing company's net equity per its latest financial statements. 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. and PVI Global Corp. shall not exceed 40% and 10%, respectively, of the financing company's net equity per its latest financial statements.

E INK HOLDINGS INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	\$ 7,627,153	\$ 1,268,070 (US\$ 43,000 thousand)	\$ 1,196,160 (US\$ 42,000 thousand)	\$ -	\$ -	3.92	\$ 30,508,610	Yes	No	No
		YuanHan Materials Inc.	Subsidiary	7,627,153	1,850,000	1,850,000	284,800 (US\$ 10,000 thousand)	-	6.06	30,508,610	Yes	No	No
		Linfiny Corporation	Subsidiary	7,627,153	410,000	350,000	141,000	-	1.15	30,508,610	Yes	No	No
1	Hydis Technologies Co., Ltd.	E Ink Holdings Inc.	Parent company	2,517,783 (KRW 95,226,274 thousand)	453,750 (US\$ 15,000 thousand)	427,200 (US\$ 15,000 thousand)	400,000	-	4.24	10,071,131 (KRW 380,905,096 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\$28.48, and KRW1=NT\$0.02644 on December 31, 2020, 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, 2020

(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, 2020				Note
				Shares/Units (In Thousands)	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	112,701	\$ 1,290,431	1.00	\$ 1,290,431	
	YFY Inc.	Investor with significant influence over the Company	Financial assets at FVTOCI	7,814	230,123	0.47	230,123	
	Ultra Chip, Inc.	-	Financial assets at FVTOCI	2,704	112,338	4.14	112,338	
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Company	Financial assets at FVTOCI	336	15,540	0.14	15,540	
	IGNIS INNOVATION INC.	-	Financial assets at FVTPL - non-current	388	-	0.19	-	
	New Medical Imaging Co., Ltd.	-	Financial assets at FVTPL - non-current	109	-	2.37	-	
	<u>Convertible preferred shares</u>							
	MICAREO INC.	-	Financial assets at FVTPL - non-current	6,000	-	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	252,221	0.20	252,221	
	Jetbest Corporation	-	Financial assets at FVTOCI	278	7,589	0.85	7,589	
	Ventec International Group Co., Ltd.	-	Financial assets at FVTOCI	1,242	84,456	1.74	84,456	
YuanHan Materials Inc.	<u>Ordinary shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	214,864	2,460,197	1.90	2,460,197	
	YFY Inc.	Investor with significant influence over the parent company	Financial assets at FVTOCI	16	471	-	471	
	Netronix Inc.	One of its director	Financial assets at FVTOCI	5,309	208,651	6.40	208,651	
	SES-imagotag	-	Financial assets at FVTOCI	867	1,124,491	5.50	1,124,491	
	Fitipower Integrated Technology Inc.	-	Financial assets at FVTOCI	2,689	330,701	1.61	330,701	
	Formolight Technologies, Inc.	-	Financial assets at FVTOCI	2,228	15,728	10.93	15,728	
	Echem Solutions Corp.	-	Financial assets at FVTOCI	743	13,149	0.99	13,149	
	eCrowd Media Inc.	-	Financial assets at FVTOCI	1,310	8,173	6.46	8,173	
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the parent company	Financial assets at FVTOCI	1	32	-	32	
		<u>Convertible preferred shares</u>						
	SigmaSense, LLC	-	Financial assets at FVTPL - non-current	73	58,188	2.05	58,188	
	<u>Convertible bonds</u>							
	Nuclera Nucleics Ltd.	-	Financial assets at FVTPL - non-current	-	231,727	-	231,727	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Straight corporate bonds</u>							
	FS KKR CAPITAL CORP	-	Financial assets at FVTOCI	2,000	\$ 60,230	-	\$ 60,230	
	NOMURA HOLDINGS INC.	-	Financial assets at FVTOCI	1,950	60,694	-	60,694	
Transcend Optronics (Yangzhou) Co., Ltd.	<u>Ordinary shares</u>							
	Dalian DKE LCD Co., Ltd.	-	Financial assets at FVTOCI	837	RMB 15,070 thousand	3.11	RMB 15,070 thousand	
Yangzhou Huaxia Integrated O/E System Co., Ltd.	<u>Structured deposits</u>							
	Bank of Nanjing - principal guaranteed with floating profit structured deposits	-	Financial assets at FVTPL - current	-	RMB 241,658 thousand	-	RMB 241,658 thousand	
Rich Optronics (Yangzhou) Co., Ltd.	<u>Structured deposits</u>							
	Bank of China - linked structured deposits	-	Financial assets at FVTPL - current	-	RMB 60,419 thousand	-	RMB 60,419 thousand	
Hydis Technologies Co., Ltd.	<u>Structured deposits</u>							
	Bank of Jiangsu - principal guaranteed with floating profit structured deposits	-	Financial assets at FVTPL - current	-	RMB 22,125 thousand	-	RMB 22,125 thousand	
	<u>Ordinary shares</u>							
	Sangyong Cement Industrial Co., Ltd.	-	Financial assets at FVTOCI	926	KRW 6,183,469 thousand	0.18	KRW 6,183,469 thousand	
	Hana Financial Group Inc.	-	Financial assets at FVTOCI	46	KRW 1,597,040 thousand	0.02	KRW 1,597,040 thousand	
	<u>Mutual funds</u>							
	Term Liquidity Fund	-	Financial assets at FVTPL - current	97	KRW 11,034,563 thousand	-	KRW 11,034,563 thousand	
	Term Liquidity Fund	-	Financial assets at FVTPL - non-current	95	KRW 11,059,000 thousand	-	KRW 11,059,000 thousand	
	<u>Perpetual bonds</u>							
	JP Morgan Chase & Co.	-	Financial assets at FVTPL - non-current	29,800	KRW 32,415,916 thousand	-	KRW 32,415,916 thousand	
	Bank of America Corporation	-	Financial assets at FVTPL - non-current	5,000	KRW 5,572,736 thousand	-	KRW 5,572,736 thousand	
	<u>Straight corporate bonds</u>							
NOMURA HOLDINGS, INC.	-	Financial assets at FVTOCI	9,100	KRW 10,813,654 thousand	-	KRW 10,813,654 thousand		
Standard Chartered PLC	-	Financial assets at FVTOCI	3,000	KRW 3,630,547 thousand	-	KRW 3,630,547 thousand		

Note: Refer to Tables 8 and 9 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, 2020
(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 3)		Units (In Thousands)	Amount
Hydis Technologies Co., Ltd.	Perpetual bonds JP Morgan Chase & Co.	Financial assets at FVTPL - non-current	-	-	-	\$ -	29,800	KRW 35,362,837 thousand	-	\$ -	\$ -	\$ -	KRW (2,946,921) thousand (Note 1)	29,800	KRW 32,415,916 thousand
	Mutual funds Term Liquidity Fund	Financial assets at FVTPL - current	Citibank	-	771	KRW 94,135,529 thousand	-	-	579	KRW 69,468,847 thousand	KRW 66,185,981 thousand	KRW 3,282,866 thousand (Note 1)	KRW (16,914,985) thousand (Notes 1 and 4)	97	KRW 11,034,563 thousand
YuanHan Materials Inc.	Ordinary shares SinoPac Financial Holding Company Limited	Financial assets at FVTOCI	-	-	146,432	1,903,620	68,432	885,000	-	-	-	-	(328,423) (Note 2)	214,864	2,460,197
Transcend Optronics (Yangzhou) Co., Ltd.	Principal guaranteed wealth investment products	Financial assets at amortized cost	Bank of Nanjing	-	-	-	-	RMB 200,000 thousand	-	RMB 110,875 thousand	RMB 110,000 thousand	RMB 875 thousand	-	-	RMB 90,000 thousand
	Principal guaranteed with floating profit structured deposits	Financial assets at FVTPL - current	Bank of Nanjing	-	-	-	-	RMB 240,000 thousand	-	-	-	-	RMB 1,658 thousand (Note 1)	-	RMB 241,658 thousand
Rich Optronics (Yangzhou) Co., Ltd.	Principal guaranteed wealth investment products Su-Yin-Xi structured	Financial assets at amortized cost	Bank of Jiangsu	-	-	RMB 50,500 thousand	-	RMB 81,800 thousand	-	RMB 134,317 thousand	RMB 132,300 thousand	RMB 2,017 thousand	-	-	-
	China CITIC Bank Structured	Financial assets at amortized cost	China CITIC Bank	-	-	RMB 50,000 thousand	-	RMB 183,000 thousand	-	RMB 234,843 thousand	RMB 233,000 thousand	RMB 1,843 thousand	-	-	-
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Principal guaranteed wealth investment products Win-to-fortune structured deposits	Financial assets at amortized cost	Bank of Communications	-	-	RMB 25,000 thousand	-	RMB 71,000 thousand	-	RMB 96,588 thousand	RMB 96,000 thousand	RMB 588 thousand	-	-	-
Transyork Technology Yangzhou Ltd.	Principal guaranteed wealth investment products Interest rate linked structured deposits	Financial assets at amortized cost	Bank of Nanjing	-	-	RMB 50,000 thousand	-	RMB 110,000 thousand	-	RMB 161,080 thousand	RMB 160,000 thousand	RMB 1,080 thousand	-	-	-

Note 1: Included in net gain on financial assets and liabilities at FVTPL.

Note 2: Included in unrealized gain (loss) on financial assets at FVTOCI.

Note 3: Included in interest income.

Note 4: Included the carrying amount which was reclassified to FVTPL - non-current.

E INK HOLDINGS INC. AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of RMB)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Land use rights, building and its accessories	November 27, 2019	February 2007 Acquisition of land use rights	RMB 23,150 thousand	RMB 328,986 thousand	All payments had been received.	RMB 85,436 thousand (Note)	Yangzhou Economic and Technological Development Zone's Demolition Placement Management Office	Non-related party	Cooperating with the government's regional expropriation plan of Yangzhou Economic and Technological Development Zone.	Reference to the appraisal result by Zhongzheng real estate appraisal cost Group Co., Ltd. and Jiangsu Zhong Run Assets Appraisal Co., Ltd., and the local government compensation regulations of land reserve and house demolition.	-

Note: The total transaction amount was RMB 328,986 thousand. The Group had received all payments in October 2020. The Group 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).

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, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note)	
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Sale	\$ (3,272,851)	(23)	By agreements	\$ -	-	\$ 869,096	24	
	PVI International Corp.	Subsidiary	Sale	(402,714)	(3)	By agreements	-	-	-	-	
	E Ink Corporation	Subsidiary	Purchase	3,426,707	33	By agreements	-	-	(697,400)	(25)	
	YuanHan Materials Inc.	Subsidiary	Sale	(1,193,439)	(8)	By agreements	-	-	88,067	2	
	YuanHan Materials Inc.	Subsidiary	Purchase	401,248	4	By agreements	-	-	(42,159)	(2)	
	Linfiny Corporation	Subsidiary	Purchase	146,547	1	By agreements	-	-	(32,138)	(1)	
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Purchase	1,594,323	16	By agreements	-	-	(1,887,771)	(68)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	740,720	7	By agreements	-	-	(14,428)	(1)	
YuanHan Materials Inc.	E Ink Holdings Inc.	Parent company	Sale	(401,248)	(16)	By agreements	-	-	42,159	100	
	E Ink Holdings Inc.	Parent company	Purchase	1,193,439	80	By agreements	-	-	(88,067)	(100)	
Linfiny Corporation	Linfiny Japan Inc.	Subsidiary	Purchase	105,319	76	By agreements	-	-	(23,896)	(100)	
	E Ink Holdings Inc.	Parent company	Sale	(146,547)	(68)	By agreements	-	-	32,138	100	
Linfiny Japan Inc.	Linfiny Corporation	Parent company	Sale	(105,319)	(94)	By agreements	-	-	23,896	100	
Prime View Communications Ltd.	E Ink Holdings Inc.	Parent company	Purchase	3,272,851	100	By agreements	-	-	(869,096)	(100)	
PVI International Corp.	E Ink Holdings Inc.	Parent company	Purchase	402,714	100	By agreements	-	-	-	-	
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	Sale	(1,594,323)	(100)	By agreements	-	-	1,887,771	100	
E Ink Corporation	E Ink Holdings Inc.	Parent company	Sale	(3,426,707)	(100)	By agreements	-	-	697,400	96	
	E Ink California, LLC	Subsidiary	Purchase	503,332	20	By agreements	-	-	(448,586)	(98)	
E Ink California, LLC	E Ink Corporation	Parent company	Sale	(503,332)	(100)	By agreements	-	-	448,586	100	

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

E INK HOLDINGS INC. AND SUBSIDIARIES

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

DECEMBER 31, 2020

(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	\$ 869,096	4.86	\$ -	-	\$ 776,395	\$ -
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	2,673,605	(Note 1)	642,933	Collected	1,395,740	-
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	1,887,771	(Note 1)	58,343	Collected	1,253,493	-
E Ink Corporation	E Ink Holdings Inc.	Parent company	697,400	6.00	486,855	Collected	618,630	-
E Ink California, LLC	E Ink Corporation	Parent company	448,586	1.30	313,525	In the process of collection	42,904	-

Note: Other receivables from materials delivered to subcontractors.

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (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, 2020			Net Income (Loss) of Investee	Share of Profit (Loss) of Investee	Note
				December 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
E Ink Holdings Inc.	PVI Global Corp.	British Virgin Islands	Investment	\$ 3,360,434	\$ 3,090,254	108,413	100.00	\$ 15,387,931	\$ 1,906,565	\$ 1,906,565	
	New Field e-Paper Co., Ltd.	Taoyuan, Taiwan	Wholesale and sale of electronics parts	6,394,455	6,394,455	671,032	100.00	5,112,044	(87,620)	(87,620)	
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	4,911,303	4,911,303	1	45.31	4,036,496	84,692	(92,900)	
	YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	Taipei, Taiwan	Research, development and sale of electronic parts and electronic ink	6,420,230	6,420,230	183,819	100.00	5,446,007	1,131,086	1,129,498	
	Dream Universe Ltd.	Mauritius	Trading	128,710	128,710	4,050	100.00	359,170	5,571	5,571	
	Prime View Communications Ltd.	Hong Kong	Trading	18,988	18,988	3,570	100.00	(3,859)	(31,402)	(31,402)	
	Enttek Co., Ltd.	Taichung, Taiwan	Manufacture and sale of consumer audio-visual systems	34,547	34,547	2,203	47.07	-	-	-	Under liquidation
	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	49,267	49,267	1,550	0.09	3,602	(82,210)	(74)	
	Hot Tracks International Ltd.	British Virgin Islands	Trading	-	1,735	-	-	-	-	-	Liquidated
	Linfinity Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	16,800	16,800	1,680	4.00	944	(48,409)	(1,936)	
Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	6,597	-	224	2.66	1,888	(74,475)	(4,709)		
E Ink Japan Inc.	Tokyo, Japan	Development of electronic ink products	15,065	-	-	100.00	14,896	1,592	177		
New Field e-Paper Co., Ltd.	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	4,865,850	4,865,850	1,748,252	99.91	3,998,940	(82,210)	(82,136)	
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	1,618,500	1,618,500	-	12.88	1,147,430	84,692	(26,408)	
YuanHan Materials Inc.	Linfinity Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	323,400	323,400	32,340	77.00	18,170	(48,409)	(37,275)	
	Lucky Joy Holdings Ltd.	Samoa	Investment	-	36,117	-	-	-	-	-	Liquidated
	Yuen Foong Yu Biotech Co., Ltd.	Taipei, Taiwan	Cultivation, processing and sale of agriculture and restaurant management	36,000	36,000	3,600	36.00	-	(96,321)	-	
Kyoritsu Optronics Co., Ltd.,	Taipei, Taiwan	Technology development, transfer and licensing of flat panels	18,860	18,860	1,050	25.65	-	-	-		
Linfinity Corporation	Linfinity Japan Inc.	Tokyo, Japan	Research and development of electronic ink	11,088	11,088	4	100.00	25,137	1,974	1,974	
E Ink Corporation	E Ink California, LLC	California, USA	Research, development and sale of electronic ink	US\$ 29,100 thousand	US\$ 29,100 thousand	27,400	100.00	US\$ 31,780 thousand	US\$ 3,515 thousand	US\$ 1,468 thousand	
	E Ink Japan Inc.	Tokyo, Japan	Development of electronic ink products	-	US\$ 86 thousand	-	-	-	US\$ 53 thousand	US\$ 47 thousand	
Tech Smart Logistics Ltd.	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	US\$ 152,875 thousand	US\$ 152,875 thousand	1	41.81	US\$ 124,764 thousand	US\$ 3,374 thousand	US\$ (2,577) thousand	
PVI Global Corp.	PVI International Corp.	British Virgin Islands	Trading	US\$ 160,300 thousand	US\$ 151,300 thousand	160,300	100.00	US\$ 138,240 thousand	US\$ 13,073 thousand	US\$ 13,073 thousand	
	Dream Pacific International Corp.	British Virgin Islands	Investment	US\$ 1,000 thousand	US\$ 1,000 thousand	26,000	100.00	US\$ 324,962 thousand	US\$ 50,554 thousand	US\$ 50,554 thousand	
	Ruby Lustre Ltd.	British Virgin Islands	Investment	US\$ 30,000 thousand	US\$ 30,000 thousand	30,000	100.00	US\$ 27,557 thousand	US\$ (202) thousand	US\$ (202) thousand	
	North Diamond International Co., Ltd.	British Virgin Islands	Investment	US\$ 1,750 thousand	US\$ 1,750 thousand	1,750	35.00	-	-	-	
	Rock Pearl International Corp.	British Virgin Islands	Investment	US\$ 1,540 thousand	US\$ 1,540 thousand	1,540	35.00	-	-	-	
Dream Pacific International Corp.	Hydis Technologies Co., Ltd.	South Korea	Research, development and licensing of monitors	US\$ 27,612 thousand	US\$ 27,612 thousand	3,783	94.73	US\$ 333,336 thousand	US\$ 51,338 thousand	US\$ 49,751 thousand	
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	29.76	KRW 1,075,862 thousand	KRW(2,975,279) thousand	KRW(1,110,361) thousand	

TABLE 9

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

(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, 2020 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Transcend Optonics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	\$ 4,565,344 (US\$ 160,300 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	\$ 3,099,906 (US\$ 108,845 thousand)	\$ 256,320 (US\$ 9,000 thousand)	\$ -	\$ 3,356,226 (US\$ 117,845 thousand)	\$ 365,019 (US\$ 12,353 thousand)	100.00	\$ 386,176 (US\$ 13,069 thousand)	\$ 3,930,696 (US\$ 138,016 thousand)	\$ -
Rich Optonics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	854,400 (US\$ 30,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	854,400 (US\$ 30,000 thousand)	-	-	854,400 (US\$ 30,000 thousand)	(5,969) (US\$ (202) thousand)	100.00	(5,969) (US\$ (202) thousand)	784,823 (US\$ 27,557 thousand)	-
Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	1,051,795 (US\$ 36,931 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	(13,090) (US\$ (443) thousand)	100.00	(13,090) (US\$ (443) thousand)	828,255 (US\$ 29,082 thousand)	-
Transmart Electronics (Yangzhou) Ltd. (liquidated)	Research, development and sale of flat panels	-	The Company indirectly owns the investee through an investment company registered in a third region	188,253 (US\$ 6,610 thousand)	-	-	188,253 (US\$ 6,610 thousand)	13,415 (US\$ 454 thousand)	-	25,974 (US\$ 879 thousand)	-	-
Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	529,728 (US\$ 18,600 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	85,440 (US\$ 3,000 thousand)	-	-	85,440 (US\$ 3,000 thousand)	97,246 (US\$ 3,291 thousand)	100.00	97,246 (US\$ 3,291 thousand)	(668,312) (US\$ (23,466) thousand)	-
Dihao Electronics (Yangzhou) Co., Ltd. (Under liquidation)	Assembly of LCD backlight board display modules	142,400 (US\$ 5,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	49,840 (US\$ 1,750 thousand)	-	-	49,840 (US\$ 1,750 thousand)	-	35.00	-	-	-
NTX Electronics Yangzhou Co., Ltd.	Manufacture and sale of flat panels	174,593 (RMB 40,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	13,174 (RMB 3,076 thousand)	49.00	6,291 (RMB 1,507 thousand)	99,658 (RMB 22,832 thousand)	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,534,159 (US\$ 159,205 thousand)	\$ 7,391,899 (US\$ 259,547 thousand)	\$ 21,578,506

Note 1: The amounts are translated at the exchange rate of US\$1 = NT\$28.48 and RMB1 = NT\$4.36482 on December 31, 2020.

Note 2: The amounts are translated at the average exchange rate of US\$1 = NT\$29.549 and RMB1 = NT\$4.28271 for the year ended December 31, 2020.

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

Note 4: Refer to Tables 1, 5, 6 and 7, for information on the prices, payment terms and unrealized profit or loss of significant transactions with investee companies in mainland China.

(Concluded)

TABLE 10**E INK HOLDINGS INC.****INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

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
Cathay Life Insurance Co., Ltd.	64,175,737	5.62

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, 2020****(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		-	1
Demand deposits (Note)		0.01-0.2%	<u>764,769</u>
			<u>764,770</u>
			<u>\$ 764,953</u>

Note: Including US\$22,252 thousand and JPY43,193 thousand, which are translated at the exchange rate of US\$1=NT\$28.48 and JPY1=NT\$0.2763, respectively.

E INK HOLDINGS INC.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Client A	\$ 185,060
Client B	177,781
Client C	104,806
Client D	73,961
Others (Note)	<u>111,644</u>
	653,252
Less: Loss allowance	<u>(890)</u>
	<u>\$ 652,362</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, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 991,772	\$ 1,310,393
Semi-finished goods	333,280	329,709
Work in progress	105,688	105,285
Raw materials	<u>1,110,835</u>	<u>1,230,173</u>
	2,541,575	<u>\$ 2,975,560</u>
Less: Allowance for write-downs of inventories (Note)	<u>853,831</u>	
	<u>\$ 1,687,744</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, 2020
 (In Thousands of New Taiwan Dollars, Except Unit Price)

Type and Name of Marketable Securities	Balance, January 1, 2020		Increase in 2020 (Note 1)		Unrealized Gain (Loss) on Financial Assets (Note 2)	Fair Value on December 31, 2020 (Note 3)			
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	Percentage of Ownership (%)	Unit Price (NT\$)	Amount
Ordinary Shares									
SinoPac Financial Holding Company Limited	90,451	\$ 1,175,869	22,250	\$ 288,126	\$ (173,564)	112,701	1.00	\$ 11.45	\$ 1,290,431
YFY Inc.	7,814	105,099	-	-	125,024	7,814	0.47	29.45	230,123
Ultra Chip, Inc.	2,638	80,448	66	-	31,890	2,704	4.14	41.55	112,338
Yuen Fong Yu Consumer Products Co., Ltd.	-	-	336	11,424	4,116	336	0.14	46.25	15,540
		<u>\$ 1,361,416</u>		<u>\$ 299,550</u>	<u>\$ (12,534)</u>				<u>\$ 1,648,432</u>

Note 1: Apart from Ultra Chip, Inc.'s distribution of shares dividend, the rest were increase in investments.

Note 2: Included in unrealized gain (loss) on financial assets at FVTOCI.

Note 3: Calculated based on the closing price on December 31, 2020.

E INK HOLDINGS INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2020		Increase (Decrease) in 2020		Share of Profit (Loss) of Subsidiaries Accounted for Using the Equity Method (Note 1)	Equity Adjustments (Note 2)	Reclassification (Note 3)	Balance, December 31, 2020		
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount				Shares (In Thousands)	Percentage of Ownership (%)	Amount
Investment in subsidiaries										
PVI Global Corp.	99,413	\$ 12,910,061	9,000	\$ 270,180	\$ 1,906,565	\$ 301,125	\$ -	108,413	100.00	\$ 15,387,931
New Field e-Paper Co., Ltd. (Note 4)	671,032	5,476,644	-	120	(87,620)	(277,100)	-	671,032	100.00	5,112,044
E Ink Corporation (Note 4)	1	4,184,838	-	99	(92,900)	(55,541)	-	1	45.31	4,036,496
YuanHan Materials Inc. (originally named Yuen Yu Investment Co., Ltd.)	183,819	4,051,482	-	-	1,129,498	265,027	-	183,819	100.00	5,446,007
Dream Universe Ltd.	4,050	372,492	-	-	5,571	(18,893)	-	4,050	100.00	359,170
Prime View Communications Ltd.	3,570	27,679	-	-	(31,402)	(136)	3,859	3,570	100.00	-
Tech Smart Logistics Ltd. (Note 4)	1,550	3,861	-	-	(74)	(185)	-	1,550	0.09	3,602
Linfiny Corporation	1,680	2,880	-	-	(1,936)	-	-	1,680	4.00	944
Hot Tracks International Ltd. (Note 5)	50	46	(50)	(44)	-	(2)	-	-	-	-
Entte K Co., Ltd. (under liquidation)	2,203	-	-	-	-	-	-	2,203	47.07	-
E Ink Japan Inc. (Note 4)	-	-	-	14,846	177	(127)	-	-	100.00	14,896
Investment in associate										
Plastic Logic HK Limited	-	-	224	6,597	(4,709)	-	-	224	2.66	1,888
		<u>\$ 27,029,983</u>		<u>\$ 291,798</u>	<u>\$ 2,823,170</u>	<u>\$ 214,168</u>	<u>\$ 3,859</u>			<u>\$ 30,362,978</u>

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

Note 2: Including recognition of adjustments that have not been recognized based on proportion of shareholding, 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 3: As of December 31, 2020, the investment in Prime View Communications Ltd. was recorded in other non-current liabilities due to the credit balance of \$3,859 thousand.

Note 4: The part of the payments paid exceeds the original carrying amount should be considered as an increased investment in subsidiaries, and the amount of investments accounted for using the equity method of New Field e-Paper Co., Ltd., E Ink Corporation, and Tech Smart Logistics Ltd was adjusted according to their original investment structure.

Note 5: Hot Tracks International Ltd. has completed its liquidation process in October 2020.

E INK HOLDINGS INC.**STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Land	Other Equipment	Total
Cost			
Balance at January 1, 2020	\$ 863,218	\$ 4,005	\$ 867,223
Additions	-	1,320	1,320
Disposals	<u>-</u>	<u>(1,212)</u>	<u>(1,212)</u>
Balance at December 31, 2020	<u>\$ 863,218</u>	<u>\$ 4,113</u>	<u>\$ 867,331</u>
Accumulated depreciation			
Balance at January 1, 2020	\$ 24,880	\$ 1,758	\$ 26,638
Depreciation expenses	24,880	1,758	26,638
Disposals	<u>-</u>	<u>(1,212)</u>	<u>(1,212)</u>
Balance at December 31, 2020	<u>\$ 49,760</u>	<u>\$ 2,304</u>	<u>\$ 52,064</u>
Carrying amounts at December 31, 2020	<u>\$ 813,458</u>	<u>\$ 1,809</u>	<u>\$ 815,267</u>

E INK HOLDINGS INC.**STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Type of Loan and Creditor	Contract Period	Interest Rate (%)	Amount	Loan Commitments
<u>Short-term unsecured borrowings</u>				
Taishin International Bank	2020.12-2021.01	0.94	\$ 560,000	\$ 800,000
KGI Commercial Bank Co., Ltd.	2020.11-2021.02	0.94	100,000	500,000
Fubon Commercial Bank Co., Ltd.	2020.12-2021.03	0.80	360,000	450,000
E.Sun Commercial Bank., Ltd.	2020.12-2021.01	0.87	150,000	150,000
Taiwan Shin Kong Commercial Bank Co., Ltd.	2020.12-2021.01	0.92	200,000	400,000
Sumitomo Mitsui Banking Corporation	2020.12-2021.01	0.88	427,200	427,200
Citibank Taiwan Ltd.	2020.10-2021.03	0.86-0.93	652,200	797,440
DBS Bank Ltd.	2020.11-2021.02	0.88	400,000	827,200
Hua Nan Commercial Bank	2020.11-2021.02	0.88	500,000	500,000
Bank of Taiwan	2020.10-2021.01	0.87	<u>100,000</u>	<u>400,000</u>
			3,449,400	5,251,840
<u>Short-term secured borrowings</u>				
Citibank Taiwan Ltd.	2020.02-2021.01	0.87	<u>400,000</u>	<u>569,600</u>
			<u>\$ 3,849,400</u>	<u>\$ 5,821,440</u>

E INK HOLDINGS INC.

STATEMENT OF SHORT-TERM BILLS PAYABLE
DECEMBER 31, 2020
(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.	2020.12.03-2021.01.28	0.65	\$ 200,000	\$ 96	\$ 199,904	-
The Shanghai Commercial & Savings Bank, Ltd.	2020.12.17-2021.03.11	0.31	300,000	177	299,823	-
Ta Ching Bills Finance Corporation	2020.12.24-2021.01.21	0.65	<u>200,000</u>	<u>71</u>	<u>199,929</u>	-
			<u>\$ 700,000</u>	<u>\$ 344</u>	<u>\$ 699,656</u>	

E INK HOLDINGS INC.

STATEMENT OF NOTES AND ACCOUNTS PAYABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Vendor A	\$ 162,498
Vendor B	160,384
Vendor C	119,043
Vendor D	83,239
Vendor E	76,888
Vendor F	75,274
Vendor G	68,163
Others (Note)	<u>530,705</u>
	<u>\$ 1,276,194</u>

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

E INK HOLDINGS INC.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Lease Term	Discount Rate (%)	Amount
Land	2012.11-2053.12	1.56	\$ 824,368
Other equipment	2018.07-2022.11	0.61-0.86	<u>1,803</u>
			826,171
Less: Current portion			<u>(20,731)</u>
Non-current portion			<u>\$ 805,440</u>

E INK HOLDINGS INC.**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Shipping Units (In Thousands)	Amount
Revenue from sale of goods		
Monitors	11,529	\$ 11,319,060
Electronic shelf labels	25,094	3,674,662
Others	324	<u>50,876</u>
		15,044,598
Less: Sales returns and discounts		<u>678,730</u>
Operating revenue, net		<u>\$ 14,365,868</u>

E INK HOLDINGS INC.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials balance, beginning of year	\$ 980,209
Add: Raw materials purchased	10,258,642
Less: Sales of raw materials	(526,220)
Transferred to other accounts	(220,771)
Raw materials, end of year	<u>(1,110,835)</u>
Usage of direct raw materials	9,381,025
Direct labor	39,033
Manufacturing expenses	<u>1,031,419</u>
Manufacturing cost	10,451,477
Add: Work in progress and semi-finished goods balance, beginning of year	379,462
Semi-finished goods purchased	316
Less: Sales of semi-finished goods	(1,007,546)
Transferred to other accounts	(69,264)
Work in progress and semi-finished goods balance, end of year	<u>(438,968)</u>
Cost of finished goods	9,315,477
Add: Finished goods balance, beginning of year	1,114,405
Less: Transferred to other accounts	(62,501)
Finished goods balance, end of year	<u>(991,772)</u>
Cost of finished goods sold	9,375,609
Add: Cost of raw materials sold	526,220
Cost of semi-finished goods sold	1,007,546
Loss on idle capacity	159,812
Loss on scrapped inventories	222,263
Write-downs of inventories	<u>43,411</u>
Total operating costs	<u>\$ 11,334,861</u>

E INK HOLDINGS INC.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Employee benefits expense	\$ 211,558	\$ 398,339	\$ 444,310	\$ 1,054,207
Professional service fee	63,260	41,930	167,210	272,400
Material expense	14,298	13,328	239,181	266,807
Depreciation expense	856	42,233	82,162	125,251
Testing and experimental expense	90	520	62,214	62,824
Expected credit losses	18,058	-	-	18,058
Others (Note)	<u>23,718</u>	<u>147,707</u>	<u>97,222</u>	<u>268,647</u>
	<u>\$ 331,838</u>	<u>\$ 644,057</u>	<u>\$ 1,092,299</u>	<u>\$ 2,068,194</u>

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

E INK HOLDINGS INC.

**STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

	For the Year Ended December 31					
	2020			2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Salaries	\$ 170,900	\$ 900,836	\$ 1,071,736	\$ 183,949	\$ 913,555	\$ 1,097,504
Labor and health insurance	14,908	58,477	73,385	16,083	60,301	76,384
Pension	7,066	37,868	44,934	7,559	38,680	46,239
Remuneration of directors	-	21,081	21,081	-	16,657	16,657
Others	11,999	35,945	47,944	12,093	34,256	46,349
	<u>\$ 204,873</u>	<u>\$ 1,054,207</u>	<u>\$ 1,259,080</u>	<u>\$ 219,684</u>	<u>\$ 1,063,449</u>	<u>\$ 1,283,133</u>
Depreciation	<u>\$ 121,166</u>	<u>\$ 125,251</u>	<u>\$ 246,417</u>	<u>\$ 136,725</u>	<u>\$ 136,669</u>	<u>\$ 273,394</u>
Amortization	<u>\$ -</u>	<u>\$ 50,658</u>	<u>\$ 50,658</u>	<u>\$ -</u>	<u>\$ 47,314</u>	<u>\$ 47,314</u>

Note 1: For the years ended December 31, 2020 and 2019, the Company had 881 and 930 employees on average, respectively, among which were 7 and 5 non-employee directors, respectively.

Note 2: a. For the years ended December 31, 2020 and 2019, the average employee benefits were \$1,416 thousand and \$1,369 thousand, respectively.

b. For the years ended December 31, 2020 and 2019, the average employee salaries were \$1,226 thousand and \$1,186 thousand, respectively.

c. The change in average employee salaries was adjusted by 3.37%.

Note 3: The Company did not have supervisors for the year ended December 31, 2020 and 2019. 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.

2020 Annual Report

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