

**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> |
| <b>LIABILITIES AND EQUITY</b>  |                      |            |                      |            |
| 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)<br>(Note 4)   |                     |            |                     |            |
| Items that will not be reclassified subsequently to<br>profit or loss:  |                     |            |                     |            |
| Remeasurement of defined benefit plans (Note 15)  | \$ (10,494)         | -          | \$ (14,690)         | -          |
| Unrealized gain (loss) on investments in equity<br>instruments at fair value through other<br>comprehensive income    | (12,534)            | -          | 251,164             | 2          |
| Share of other comprehensive income (loss) of<br>subsidiaries and associates accounted for using<br>the equity method | 288,241             | 2          | 739,622             | 6          |
| Income tax relating to items that will not be<br>reclassified subsequently to profit or loss<br>(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<br>or loss:   |                     |            |                     |            |
| Share of other comprehensive income (loss) of<br>subsidiaries and associates accounted for using<br>the equity method | <u>(86,656)</u>     | <u>(1)</u> | <u>(756,459)</u>    | <u>(6)</u> |
| Other comprehensive income for the year, net<br>of income tax   | <u>169,634</u>      | <u>1</u>   | <u>222,575</u>      | <u>2</u>   |
| TOTAL COMPREHENSIVE INCOME FOR THE<br>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   |  |                 |               |
|---|--------------------------|---------------|-----------------|-------------------|-----------------|----------------------------|--------------|--|--|-----------------|---------------|
|   | Shares<br>(In Thousands) | Amount        |                 | Legal Reserve     | Special Reserve | Unappropriated<br>Earnings | Total        | Exchange<br>Differences on<br>Translating the<br>Financial<br>Statements of<br>Foreign<br>Operations | Unrealized Gain<br>(Loss) on Financial<br>Assets at FVTOCI | Treasury Shares | 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 |
| 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,<br>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<br>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,<br>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<br>disposal of subsidiaries                 | -                        | -             | -               | -                 | -               | (110)                      | (110)        | 1,541  | -  | -               | 1,431         |
| Disposal of investments in equity instruments designated as at fair value<br>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            |
|---|------------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |                 |
| 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> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                  |                 |
| 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>             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                          |                          |                            |
| 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>           |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                     | <b>(256,488)</b>         | <b>(145,519)</b>           |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>        | <b><u>1,021,441</u></b>  | <b><u>1,166,960</u></b>    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>              | <b><u>\$ 764,953</u></b> | <b><u>\$ 1,021,441</u></b> |

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)

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### 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<br/>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

| <b>New IFRSs</b>   | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--|--|
| “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

|  | <b>December 31</b> |                     |
|--|--------------------|---------------------|
|  | <b>2020</b>        | <b>2019</b>         |
| 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<br>(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

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2020</b>         | <b>2019</b>         |
| 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

|                           | <b>Not Past Due</b> | <b>Past Due in<br/>1-90 Days</b> | <b>Past Due over<br/>90 Days</b> | <b>Total</b>        |
|---------------------------|---------------------|----------------------------------|----------------------------------|---------------------|
| 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

|                           | <b>Not Past Due</b> | <b>Past Due in<br/>1-90 Days</b> | <b>Past Due over<br/>90 Days</b> | <b>Total</b>        |
|---------------------------|---------------------|----------------------------------|----------------------------------|---------------------|
| 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:

|   | <b>For the Year Ended December 31</b> |               |
|---|---------------------------------------|---------------|
|   | <b>2020</b>                           | <b>2019</b>   |
| 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

|                     | <b>December 31</b>  |                     |
|---------------------|---------------------|---------------------|
|                     | <b>2020</b>         | <b>2019</b>         |
| 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

|                             | <b>December 31</b>   |                      |
|-----------------------------|----------------------|----------------------|
|                             | <b>2020</b>          | <b>2019</b>          |
| 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

|  | <b>December 31</b>   |                      |
|--|----------------------|----------------------|
|  | <b>2020</b>          | <b>2019</b>          |
| 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                |
| Linfinity 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

|   | <u>December 31</u>                    |             |
|---|---------------------------------------|-------------|
|   | <u>2020</u>                           | <u>2019</u> |
| Associates that are not individually material                                 | <u>\$ 1,888</u>                       | <u>\$ -</u> |
| <u>Aggregate information of associates that are not individually material</u> |                                       |             |
|   | <u>For the Year Ended December 31</u> |             |
|   | <u>2020</u>                           | <u>2019</u> |
| The Company's share of<br>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

|  | <u>Buildings</u>    | <u>Machinery</u>    | <u>Other<br/>Equipment</u> | <u>Construction in<br/>Progress and<br/>Prepayments<br/>for Equipment</u> | <u>Total</u>        |
|--|---------------------|---------------------|----------------------------|---|---------------------|
| <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                              | 4,216               | 25,069              | 86,188                     | (118,699)   | (3,226)             |
| 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                                      | -                   | (64,149)            | (5,315)                    | -   | (69,464)            |
| 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                              | 29,149              | 73,476              | 81,542                     | (191,162)   | (6,995)             |
| 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)

|  | <b>Buildings</b>    | <b>Machinery</b>    | <b>Other<br/>Equipment</b> | <b>Construction in<br/>Progress and<br/>Prepayments<br/>for Equipment</b> | <b>Total</b>        |
|--|---------------------|---------------------|----------------------------|---|---------------------|
| <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:

|                               | <b>For the Year Ended December 31</b> |                   |
|-------------------------------|---------------------------------------|-------------------|
|                               | <b>2020</b>                           | <b>2019</b>       |
| 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

|                         | <b>December 31</b> |                   |
|-------------------------|--------------------|-------------------|
|                         | <b>2020</b>        | <b>2019</b>       |
| <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> |

|                                     | <b>For the Year Ended December 31</b> |                  |
|-------------------------------------|---------------------------------------|------------------|
|                                     | <b>2020</b>                           | <b>2019</b>      |
| 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

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2020</b>        | <b>2019</b>       |
| <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:

|                 | <b>December 31</b> |             |
|-----------------|--------------------|-------------|
|                 | <b>2020</b>        | <b>2019</b> |
| 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

|  | <b>For the Year Ended December 31</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2020</b>                           | <b>2019</b>      |
| 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

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2020</b>         | <b>2019</b>         |
| 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<br>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

|                                  | <b>December 31</b> |                   |
|----------------------------------|--------------------|-------------------|
|                                  | <b>2020</b>        | <b>2019</b>       |
| 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

|                         | <b>December 31</b> |             |
|-------------------------|--------------------|-------------|
|                         | <b>2020</b>        | <b>2019</b> |
| 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:

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2020</b>        | <b>2019</b>      |
| 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:

|   | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|---|--|--|--|
| 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<br>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<br>or loss                   | <u>16,791</u>  | <u>(2,101)</u>                           | <u>14,690</u>                                  |

(Continued)

|   | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|---|--|--|--|
| 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<br>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<br>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><br>(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:

|                                   | <b>December 31</b> |             |
|-----------------------------------|--------------------|-------------|
|                                   | <b>2020</b>        | <b>2019</b> |
| 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:

|                                   | <b>December 31</b> |                   |
|-----------------------------------|--------------------|-------------------|
|                                   | <b>2020</b>        | <b>2019</b>       |
| 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.

|   | <b>December 31</b> |                 |
|---|--------------------|-----------------|
|   | <b>2020</b>        | <b>2019</b>     |
| 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

|   | <b>December 31</b>   |                      |
|---|----------------------|----------------------|
|   | <b>2020</b>          | <b>2019</b>          |
| 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

|  | <b>December 31</b> |              |
|--|--------------------|--------------|
|  | <b>2020</b>        | <b>2019</b>  |
| May be used to offset a deficit, distributed as<br><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:

|                                   | <b>Appropriation of Earnings</b> |             | <b>Dividends Per Share (NT\$)</b> |               |
|-----------------------------------|----------------------------------|-------------|-----------------------------------|---------------|
|                                   | <b>For the Year Ended</b>        |             | <b>For the Year Ended</b>         |               |
|                                   | <b>December 31</b>               |             | <b>December 31</b>                |               |
|                                   | <b>2019</b>                      | <b>2018</b> | <b>2019</b>                       | <b>2018</b>   |
| 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:

|                             | <b>Appropriation of Earnings</b> | <b>Dividends Per Share (NT\$)</b> |
|-----------------------------|----------------------------------|-----------------------------------|
| 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

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| 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

|  | <b>For the Year Ended December 31</b> |                     |
|--|---------------------------------------|---------------------|
|  | <b>2020</b>                           | <b>2019</b>         |
| 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

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| 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

|  | <b>For the Year Ended December 31</b> |                |
|--|---------------------------------------|----------------|
|  | <b>2020</b>                           | <b>2019</b>    |
| 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,<br>2020 | December 31,<br>2019 | January 1,<br>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

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| 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

|  | <b>For the Year Ended December 31</b> |                     |
|--|---------------------------------------|---------------------|
|  | <b>2020</b>                           | <b>2019</b>         |
| 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:

|                           | <b>For the Year Ended December 31</b> |                  |
|---------------------------|---------------------------------------|------------------|
|                           | <b>2020</b>                           | <b>2019</b>      |
| 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

|   | <u>For the Year Ended December 31</u> |                  |
|---|---------------------------------------|------------------|
|   | 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:

|  | <u>For the Year Ended December 31</u> |                     |
|--|---------------------------------------|---------------------|
|  | 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          |
| Non-deductible 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**

Deferred tax

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

|                                 | <b>Opening<br/>Balance</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Recognized in<br/>Other<br/>Comprehensive<br/>Income (loss)</b> | <b>Closing Balance</b> |
|---------------------------------|----------------------------|---|--|------------------------|
| <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

|                                   | <b><u>For the Year Ended December 31</u></b> |                |
|-----------------------------------|--|----------------|
|                                   | <b>2020</b>                                  | <b>2019</b>    |
| 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:

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



## Number of Shares

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2020</b>                           | <b>2019</b>      |
| 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

| <b>Grant Date</b> | <b>Transferable<br/>Shares in<br/>Thousands</b> | <b>Shares in<br/>Thousands<br/>Transferred<br/>for the Year</b> | <b>Accumulated<br/>Shares in<br/>Thousands<br/>Transferred</b> | <b>Expired<br/>Shares in<br/>Thousands</b> | <b>Shares in<br/>Thousands at<br/>December 31</b> |
|-------------------|---|---|--|--|---|
| 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

| <b>Grant Date</b> | <b>Transferable<br/>Shares in<br/>Thousands</b> | <b>Shares in<br/>Thousands<br/>Transferred<br/>for the Year</b> | <b>Accumulated<br/>Shares in<br/>Thousands<br/>Transferred</b> | <b>Expired<br/>Shares in<br/>Thousands</b> | <b>Shares in<br/>Thousands at<br/>December 31</b> |
|-------------------|---|---|--|--|---|
| 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:

|   | <b>August 2018</b> | <b>May 2018</b> | <b>March 2017</b> |
|---|--------------------|-----------------|-------------------|
| 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:

|  | <b><u>For the Year Ended December 31</u></b> |                   |
|--|--|-------------------|
|  | <b>2020</b>                                  | <b>2019</b>       |
| Acquisition of property, plant and equipment   |  |                   |
| Increase in property, plant and equipment  | \$ 303,384                                   | \$ 216,231        |
| Increase (decrease) in payables for construction and equipment<br>(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 | \$ -                | \$ 6,904    | \$ -        | \$ 6,904            |
| <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      | \$ -                | \$ -        | \$ 60,285   | \$ 60,285           |
| <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> |             |
|------------------------------|--------------------|-------------|
|                              | <b>2020</b>        | <b>2019</b> |
| <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

|   | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b>   | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b>  | <b>5+ Years</b>   |
|---|---|---------------------|-------------------------------|-------------------|-------------------|
| <u>Non-derivative<br/>financial liabilities</u> |   |                     |                               |                   |                   |
| Lease liabilities                               | \$ 2,827                                      | \$ 5,655            | \$ 24,942                     | \$ 129,194        | \$ 890,836        |
| Fixed interest rate<br>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:

|                   | <b>Less than<br/>1 Year</b> | <b>1-5 Years</b>  | <b>5-10 Years</b> | <b>10-15 Years</b> | <b>15-20 Years</b> | <b>20+ Years</b>  |
|-------------------|-----------------------------|-------------------|-------------------|--------------------|--------------------|-------------------|
| 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

|   | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b> | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b>  | <b>5+ Years</b>   |
|---|---|-------------------|-------------------------------|-------------------|-------------------|
| <u>Non-derivative<br/>financial liabilities</u> |   |                   |                               |                   |                   |
| Lease liabilities                               | \$ 2,827                                      | \$ 5,655          | \$ 25,336                     | \$ 129,251        | \$ 922,998        |
| Fixed interest rate<br>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:

|                   | <b>Less than<br/>1 Year</b> | <b>1-5 Years</b>  | <b>5-10 Years</b> | <b>10-15 Years</b> | <b>15-20 Years</b> | <b>20+ Years</b>  |
|-------------------|-----------------------------|-------------------|-------------------|--------------------|--------------------|-------------------|
| 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

| <b>Related Party Category</b>                                      | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| 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

| <b>Related Party Category</b>                                      | <b>For the Year Ended December 31</b> |                 |
|--|---------------------------------------|-----------------|
|  | <b>2020</b>                           | <b>2019</b>     |
| 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

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

h. Receivables from related parties

| <b>Line Items</b>                                   | <b>Related Party Category/Name</b>       | <b>December 31</b>  |                |
|---|--|---------------------|----------------|
|   |  | <b>2020</b>         | <b>2019</b>    |
| 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<br>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

| <b>Related Party Category</b>                        | <b>Line Item</b>  | <b>Number of Shares in Thousand</b> | <b>Underlying Assets</b> | <b>Purchase Price</b>    |
|--|---|-------------------------------------|--------------------------|--------------------------|
| 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<br><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

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

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

| <b>Related Party Category</b> | <b>December 31</b> |                 |
|-------------------------------|--------------------|-----------------|
|                               | <b>2020</b>        | <b>2019</b>     |
| 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

| <b>Related Party Category/Name</b> | <b>December 31</b>  |                     |
|------------------------------------|---------------------|---------------------|
|                                    | <b>2020</b>         | <b>2019</b>         |
| 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

|                              | <b>For the Year Ended December 31</b> |                   |
|------------------------------|---------------------------------------|-------------------|
|                              | <b>2020</b>                           | <b>2019</b>       |
| 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

|  | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|--|-----------------------------|----------------------|----------------------------|
| <u>Foreign currency assets</u>                       |                             |                      |                            |
| Monetary items                                       |                             |                      |                            |
| USD  | \$ 173,117                  | 28.48                | \$ 4,930,372               |
| Non-monetary items                                   |                             |                      |                            |
| Investments accounted for using the equity<br>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

|  | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|--|-----------------------------|----------------------|----------------------------|
| <u>Foreign currency assets</u>                       |                             |                      |                            |
| Monetary items                                       |                             |                      |                            |
| USD  | \$ 152,364                  | 29.98                | \$ 4,567,873               |
| Non-monetary items                                   |                             |                      |                            |
| Investments accounted for using the equity<br>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<br>(RMB 206,222 thousand) | \$ 889,647<br>(RMB 203,822 thousand) | \$ -                                | 3.915                       | Short-term financing | \$ -                        | Working capital                  | \$ -                          | -          | \$ -  | \$ 3,930,660<br>(RMB 900,532 thousand)              | \$ 3,930,660<br>(RMB 900,532 thousand)  |
| 2   | Hydis Technologies Co., Ltd.             | YuanHan Materials Inc.                          | Other receivables           | Yes           | 1,300,050<br>(US\$ 45,000 thousand)  | 1,281,600<br>(US\$ 45,000 thousand)  | 1,281,600<br>(US\$ 45,000 thousand) | 1.23                        | Short-term financing | -                           | Working capital                  | -                             | -          | -     | 4,028,452<br>(KRW 152,362,038 thousand)             | 4,028,452<br>(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<br>(US\$ 15,000 thousand)    | 427,200<br>(US\$ 15,000 thousand)    | 427,200<br>(US\$ 15,000 thousand)   | 1.00                        | Short-term financing | -                           | Working capital                  | -                             | -          | -     | 1,538,803<br>(US\$ 54,031 thousand)                 | 6,155,183<br>(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/<br>Guarantee Amount<br>Provided to<br>Each Endorsed/<br>Guaranteed Party<br>(Note 1) | Maximum Balance<br>for the Year<br>(Note 2) | Ending Balance<br>(Note 2)                | Amount Actually<br>Drawn<br>(Note 2) | Amount of<br>Endorsement/<br>Guarantee<br>Collateralized by<br>Properties | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity per Latest<br>Financial<br>Statements<br>(%) | Maximum<br>Endorsement/<br>Guarantee Amount<br>Allowable<br>(Note 3) | Endorsement/<br>Guarantee<br>Provided by Parent<br>Company | Endorsement/<br>Guarantee<br>Provided by<br>Subsidiary | Endorsement/<br>Guarantee to<br>Subsidiary in<br>Mainland China |
|-----|--------------------------------|---------------------------|----------------|--|---|---|--------------------------------------|---|--|--|--|--|---|
|     |                                | Name                      | Relationship   |  |   |   |                                      |   |  |  |  |  |   |
| 0   | E Ink Holdings Inc.            | E Ink Corporation         | Subsidiary     | \$ 7,627,153   | \$ 1,268,070<br>(US\$ 43,000<br>thousand)   | \$ 1,196,160<br>(US\$ 42,000<br>thousand) | \$ -                                 | \$ -  | 3.92   | \$ 30,508,610  | Yes  | No   | No  |
|     |                                | YuanHan Materials Inc.    | Subsidiary     | 7,627,153  | 1,850,000                                   | 1,850,000                                 | (US\$ 284,800<br>10,000<br>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<br>(KRW 95,226,274<br>thousand)  | 453,750<br>(US\$ 15,000<br>thousand)        | 427,200<br>(US\$ 15,000<br>thousand)      | 400,000                              | -   | 4.24   | 10,071,131<br>(KRW 380,905,096<br>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<br>(In Thousands) | Carrying Amount | Percentage<br>of<br>Ownership<br>(%) | 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<br>(In Thousands) | Carrying Amount            | Percentage<br>of<br>Ownership<br>(%) | Fair Value                 |      |
|   | <u>Straight corporate bonds</u>   |                                       |   |                                |                            |                                      |                            |      |
|   | FS KKR CAPITAL CORP   | -                                     | Financial assets at FVTOCI              | 2,000                          | \$ 60,230                  | -                                    | \$ 60,230                  |      |
| Transcend Optronics (Yangzhou) Co., Ltd.        | 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<br>thousand     | 3.11                                 | RMB 15,070<br>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<br>thousand    | -                                    | RMB 241,658<br>thousand    |      |
| Rich Optronics (Yangzhou) Co., Ltd.             | <u>Structured deposits</u>  |                                       |   |                                |                            |                                      |                            |      |
|   | Bank of China - linked structured deposits                                      | -                                     | Financial assets at FVTPL - current     | -                              | RMB 60,419<br>thousand     | -                                    | RMB 60,419<br>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<br>thousand     | -                                    | RMB 22,125<br>thousand     |      |
|   | <u>Ordinary shares</u>  |                                       |   |                                |                            |                                      |                            |      |
|   | Sangyong Cement Industrial Co., Ltd.  | -                                     | Financial assets at FVTOCI              | 926                            | KRW 6,183,469<br>thousand  | 0.18                                 | KRW 6,183,469<br>thousand  |      |
|   | Hana Financial Group Inc.   | -                                     | Financial assets at FVTOCI              | 46                             | KRW 1,597,040<br>thousand  | 0.02                                 | KRW 1,597,040<br>thousand  |      |
|   | <u>Mutual funds</u>   |                                       |   |                                |                            |                                      |                            |      |
|   | Term Liquidity Fund   | -                                     | Financial assets at FVTPL - current     | 97                             | KRW 11,034,563<br>thousand | -                                    | KRW 11,034,563<br>thousand |      |
|   | Term Liquidity Fund   | -                                     | Financial assets at FVTPL - non-current | 95                             | KRW 11,059,000<br>thousand | -                                    | KRW 11,059,000<br>thousand |      |
|   | <u>Perpetual bonds</u>  |                                       |   |                                |                            |                                      |                            |      |
|   | JP Morgan Chase & Co.   | -                                     | Financial assets at FVTPL - non-current | 29,800                         | KRW 32,415,916<br>thousand | -                                    | KRW 32,415,916<br>thousand |      |
|   | Bank of America Corporation   | -                                     | Financial assets at FVTPL - non-current | 5,000                          | KRW 5,572,736<br>thousand  | -                                    | KRW 5,572,736<br>thousand  |      |
|   | <u>Straight corporate bonds</u>   |                                       |   |                                |                            |                                      |                            |      |
|   | NOMURA HOLDINGS, INC.   | -                                     | Financial assets at FVTOCI              | 9,100                          | KRW 10,813,654<br>thousand | -                                    | KRW 10,813,654<br>thousand |      |
|   | Standard Chartered PLC  | -                                     | Financial assets at FVTOCI              | 3,000                          | KRW 3,630,547<br>thousand  | -                                    | KRW 3,630,547<br>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<br>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<br>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<br>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<br>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<br>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<br>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<br>Acquisition of land use rights | RMB 23,150<br>thousand | RMB 328,986<br>thousand | All payments had been received. | RMB 85,436<br>thousand<br>(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)               |      |
|  | Linfy 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)             |      |
| Linfy Corporation                        | Linfy 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               |      |
| Linfy Japan Inc.                         | Linfy 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<br>(Times) | Overdue |                              | Amount<br>Received in<br>Subsequent Year | Allowance for<br>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        |
|                                   | Linfiny 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.            | 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)                           |                   |
|                                   | 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                       | -                      | -                             | -                                  |                   |
| 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                              |                   |
| 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 Optronics (Yangzhou) Co., Ltd.                   | Assembly and sale of display panels             | \$ 4,565,344<br>(US\$ 160,300 thousand) | The Company indirectly owns the investee through an investment company registered in a third region | \$ 3,099,906<br>(US\$ 108,845 thousand)  | \$ 256,320<br>(US\$ 9,000 thousand) | \$ -   | \$ 3,356,226<br>(US\$ 117,845 thousand)  | \$ 365,019<br>(US\$ 12,353 thousand)   | 100.00   | \$ 386,176<br>(US\$ 13,069 thousand)               | \$ 3,930,696<br>(US\$ 138,016 thousand)          | \$ -  |
| Rich Optronics (Yangzhou) Co., Ltd.                        | Assembly and sale of display panels             | 854,400<br>(US\$ 30,000 thousand)       | The Company indirectly owns the investee through an investment company registered in a third region | 854,400<br>(US\$ 30,000 thousand)  | -                                   | -      | 854,400<br>(US\$ 30,000 thousand)  | (5,969)<br>(US\$ (202) thousand)       | 100.00   | (5,969)<br>(US\$ (202) thousand)                   | 784,823<br>(US\$ 27,557 thousand)                | -   |
| Transyork Technology Yangzhou Ltd.                         | Assembly and sale of display panels             | 1,051,795<br>(US\$ 36,931 thousand)     | The Company indirectly owns the investee through an investment company registered in a third region | -  | -                                   | -      | -  | (13,090)<br>(US\$ (443) thousand)      | 100.00   | (13,090)<br>(US\$ (443) thousand)                  | 828,255<br>(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<br>(US\$ 6,610 thousand)   | -                                   | -      | 188,253<br>(US\$ 6,610 thousand)   | 13,415<br>(US\$ 454 thousand)          | -  | 25,974<br>(US\$ 879 thousand)                      | -  | -   |
| Yangzhou Huaxia Integrated O/E System Co., Ltd.            | Manufacture and sale of LED products            | 529,728<br>(US\$ 18,600 thousand)       | The Company indirectly owns the investee through an investment company registered in a third region | 85,440<br>(US\$ 3,000 thousand)  | -                                   | -      | 85,440<br>(US\$ 3,000 thousand)  | 97,246<br>(US\$ 3,291 thousand)        | 100.00   | 97,246<br>(US\$ 3,291 thousand)                    | (668,312)<br>(US\$ (23,466) thousand)            | -   |
| Dihao Electronics (Yangzhou) Co., Ltd. (Under liquidation) | Assembly of LCD backlight board display modules | 142,400<br>(US\$ 5,000 thousand)        | The Company indirectly owns the investee through an investment company registered in a third region | 49,840<br>(US\$ 1,750 thousand)  | -                                   | -      | 49,840<br>(US\$ 1,750 thousand)  | -                                      | 35.00  | -  | -  | -   |
| NTX Electronics Yangzhou Co., Ltd.                         | Manufacture and sale of flat panels             | 174,593<br>(RMB 40,000 thousand)        | The Company indirectly owns the investee through an investment company registered in a third region | -  | -                                   | -      | -  | 13,174<br>(RMB 3,076 thousand)         | 49.00  | 6,291<br>(RMB 1,507 thousand)                      | 99,658<br>(RMB 22,832 thousand)                  | -   |

(Continued)

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

**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)**

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| <b>Item</b>            | <b>Period</b> | <b>Rate</b> | <b>Amount</b>     |
|------------------------|---------------|-------------|-------------------|
| 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)**

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| <b>Client Name</b>   | <b>Amount</b>     |
|----------------------|-------------------|
| 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)**

| <b>Item</b>   | <b>Amount</b>       |                             |
|---|---------------------|-----------------------------|
|   | <b>Cost</b>         | <b>Net Realizable Value</b> |
| 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<br>Gain (Loss) on<br>Financial Assets<br>(Note 2) | Fair Value on December 31, 2020 (Note 3) |                                |                      |                     |
|---|--------------------------|---------------------|---------------------------|-------------------|--|--|--------------------------------|----------------------|---------------------|
|   | Shares<br>(In Thousands) | Amount              | Shares<br>(In Thousands)  | Amount            |  | Shares<br>(In Thousands)                 | Percentage of<br>Ownership (%) | Unit Price<br>(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)**


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| Item                                  | Land              | Other<br>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)**

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| <b>Vendor Name</b> | <b>Amount</b>       |
|--------------------|---------------------|
| 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)**

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| <b>Item</b>           | <b>Lease Term</b> | <b>Discount Rate (%)</b> | <b>Amount</b>     |
|-----------------------|-------------------|--------------------------|-------------------|
| 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)**

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| <b>Item</b>                       | <b>Shipping Units<br/>(In Thousands)</b> | <b>Amount</b>        |
|-----------------------------------|--|----------------------|
| 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)**

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| <b>Item</b>  | <b>Amount</b>        |
|--|----------------------|
| 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)**

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| <b>Item</b>                      | <b>Selling and<br/>Marketing<br/>Expenses</b> | <b>General and<br/>Administrative<br/>Expenses</b> | <b>Research and<br/>Development<br/>Expenses</b> | <b>Total</b>        |
|----------------------------------|---|--|--|---------------------|
| 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<br>Operating<br>Costs | Classified as<br>Operating<br>Expenses | Total               | Classified as<br>Operating<br>Costs | Classified as<br>Operating<br>Expenses | Total               |
| Employee benefits expense     |                                     |  |                     |                                     |  |                     |
| Salaries                      | \$ 170,900                          | \$ 900,836                             | \$ 1,071,736        | \$ 183,949                          | \$ 913,555                             | \$ 1,097,504        |
| Labor and health<br>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.