

Code: 8069



# **E INK HOLDINGS INC.**

## **2013 ANNUAL GENERAL MEETING OF STOCKHOLDERS**

### **MEETING MANUAL**

Date: May 3, 2013

Venue: No.3, Li-Hsin Road 1, Hsinchu Science Park, Hsinchu, Taiwan,  
R.O.C.

*(This English translation is prepared for reference only; if there are any discrepancies between the Chinese version and this English translation, the Chinese version should prevail.)*

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**E INK HOLDINGS INC.**  
**2013 ANNUAL GENERAL MEETING OF STOCKHOLDERS**  
**MEETING AGENDA**

Date and Time: Friday, May 3, 2013, 9 A.M. (Taipei Time)

Venue: Auditorium at B1, No.3, Li-Hsin Road 1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C.

Meeting Procedure:

1. Announcement of the Commencement
2. Chairman's Opening Remarks
3. Report Items:
  - (1) To report the 2012 business and financial status of the Company
  - (2) To report the Supervisors' review report for the 2012 audited financial statements of the Company
  - (3) To report the status of the Company's indirect investment in the Mainland China in 2012 through third region investment entities
  - (4) To report the status of the lending and endorsement/guarantee by the Company and its subsidiaries in 2011
  - (5) To report the status of the Company's issue of third tranche of domestic unsecured convertible corporate bonds in 2012
  - (6) To report the amendment to the Company's Rules of Board of Directors Meeting
4. Adoption Items:
  - (1) To adopt the 2012 financial statements of the Company
  - (2) To adopt the proposal for 2012 earnings distribution of the Company
5. Discussion Items:
  - (1) To amend the Company's Articles of Incorporation
  - (2) To amend the Company's Rules of Election of Directors and Supervisors
  - (3) To amend the Company's Procedures of Loaning of Funds and Making of Endorsements/Guarantees
  - (4) To release the Company's directors and their representatives from non-competete restrictions
  - (5) To issue common shares through cash offering in Taiwan via private placement
6. Any Other Business
7. Announcement of Adjournment

**Report Items:**

<Item 1>

Subject: To report the 2012 business and financial status of the Company

Explanatory Note:

- (1) In 2012, the Company has the net sales of NT\$13,359,855,089, the consolidated net sales of NT\$26,704,782,393, the after-tax net loss of NT\$749,167,690 and the after-tax loss per share of NT\$0.69.
- (2) The business report and the relevant financial statements of the Company are attached hereto as Appendices 1 and 2 of the Meeting Manual.
- (3) Please kindly note.

<Item 2>

Subject: To report the Supervisors' review report for the 2012 audited financial statements of the Company

Explanatory Note:

- (1) The 2012 financial statements of the Company have been audited by the CPA and, with the business report of the Company, reviewed by the Supervisors. The 2012 audited financial statements of the Company and the Supervisors' review report of the 2012 audited financial statements are attached hereto as Appendices 1 to 3 of the Meeting Manual.
- (2) Supervisors will read out the review report of the 2012 audited financial statements of the Company.
- (3) Please kindly note.

<Item 3>

Subject: To report the status of the Company's indirect investment in the Mainland China in 2012 through third region investment entities

Explanatory Note:

- (1) The status of the Company's indirect investment in the Mainland China in 2012 through the third region investment entities is as follows:

No.	Invested Company	Method of Investment	Amount of Investment
1	Transmart Electronics (Yangzhou) Ltd.	By way of indirect investment in the Mainland China through third region investment entities	US\$5,288,000

- (2) Please kindly note.

<Item 4>

Subject: To report the status of the lending and endorsement/guarantee by the Company and its subsidiaries in 2012

Explanatory Note:

(1) Endorsement/Guarantee

No.	Endorsor/Guarantor	Endorsee/Guarantee	Balance as of the End of 2012
1	E Ink Holdings Inc.	Tech Smart Logistics Ltd.	US\$12,500,000
2	E Ink Holdings Inc.	Transcend Optronics (Yangzhou) Co., Ltd.	US\$62,500,000
3	E Ink Holdings Inc.	Rich Optronics (Yangzhou) Co., Ltd.	US\$12,500,000
4	E Ink Holdings Inc.	E Ink Corporation	US\$46,500,000
5	Transcend Optronics (Yangzhou) Co., Ltd.	TransYang Electronics (Yangzhou) Ltd.	RMB 94,000,000
6	Rich Optronics (Yangzhou) Co., Ltd.	Transcend Optronics (Yangzhou) Co., Ltd.	\$0

(2) Lending

No.	Lender	Borrower(s)	Balance as of the End of 2012
1	E Ink Holdings Inc.	Hydis Technologies Co., Ltd.	US\$24,000,000
2	E Ink Holdings Inc.	E Ink Corporation.	US\$18,379,000
3	PVI Global Corp.	Tech Smart Logistics Ltd.	US\$8,500,000
4	Transcend Optronics (Yangzhou) Co.	Yangzhou Huaxia Integrated Photoelectric Co., Ltd.	RMB 62,000,000
5	Transcend Optronics (Yangzhou) Co.	Yangzhou Effect Media International Investment Corp.	RMB 6,710,000
6	Rich Optronics (Yangzhou) Co.	Yangzhou Huaxia Integrated Photoelectric Co.	RMB 48,100,000
7	Qidi Electronic (Yangzhou) Corp.	Yangzhou Huaxia Integrated Photoelectric Co.	RMB 12,500,000
8	Qifu Electronic (Yangzhou) Corp.	Yangzhou Huaxia Integrated Photoelectric Co.	RMB 12,500,000

(3) Please kindly note.

<Item 5>

Subject: To report the status of the Company's issue of third tranche of unsecured convertible corporate bonds in 2012

Explanatory Note:

(1) In view of the needs for repayment of bank loans, as resolved at the 13th meeting of the Company's Board of Directors for the Eighth Term, it was proposed the Company issue the

third tranche domestic of unsecured convertible corporate bonds.

- (2) Nevertheless, due to the unfavorable market conditions since the fourth quarter of 2012, after review of the overall economic situations, the Company's issue of the third tranche of domestic unsecured convertible corporate bonds in 2012 is suspended.
- (3) Please kindly note.

<Item 6>

Subject: To report the draft amendment to the Company's Rules of Board of Directors Meeting

Explanatory Note:

- (1) In compliance with the latest amended Securities and Exchange Act and the Company Act, and in order to strengthen the resolution procedures for the Company's significant donations, prevent the observers of a Board of Directors meeting from influencing discussions and votes of the Board, and improve disclosure of recusal of directors due to conflicts of interest, it is proposed Articles 3, 7, 10, 16 and 17 of the Company's Rules of Board of Directors Meeting be amended.
- (2) A comparison table of the Draft Amendment to Rules of Board of Directors Meeting is attached hereto as Appendix 4 of the Meeting Manual.
- (3) Please kindly note.

## Adoption Items:

<Item 1>

(Proposed by Board of Directors)

Subject: To adopt the 2012 financial statements of the Company

Explanatory Note:

- (1) The 2012 financial statements and consolidated financial statements of the Company have been audited by the CPA and are considered to be correct.
- (2) The aforementioned financial statements, consolidated financial statements and the Company's 2012 Business Report are attached hereto as Appendices 1 to 3 of the Meeting Manual.
- (3) Please kindly adopt.

Resolution:

<Item 2>

(Proposed by Board of Directors)

Subject: To adopt the proposal for 2012 earnings distribution of the Company

Explanatory Note:

- (1) The Company's unallocated profits for the previous years NT\$3,120,337,476, and, after deducting the after-tax losses of NT\$749,167,690 for 2012 and special reserve of NT\$141,393,893, the distributable earnings for the term is NT\$2,229,775,893. In consideration of the Company's business development and funding needs in the future, however, it is proposed the abovementioned distributable earnings not be distributed and be reserved for future years.
- (2) The 2012 earnings distribution table is attached hereto as the Appendix 5 of the Meeting Manual.
- (3) Further, according to the requirements in Explanation 3 of the Financial Supervisory Commission's Jin-Guan-Zheng-Fa-Zi No. 1010012865 Letter of April 6, 2012, we hereby report the adjustment for retained earnings pursuant to the International Financial Reporting Standards (IFRS) and the special reserve provided as follows:
  - a. Due to the Company's adoption of the IFRS, the retained earnings as of the transfer date, i.e. January 1, 2012, and for the 2012 comparison period are increased by NT\$158,679,269 and NT\$157,076,052, respectively.
  - b. At the Company's first adoption of the IFRS according to the above FSC requirement, the cumulative translation adjustment (profits) on account was NT\$70,678,159. Because of the transfer to retained earnings due to our adoption of exemption under IFRS 1 on January 1, 2012, a special reserve of NT\$70,678,159 is

provided.

(4) Please kindly adopt.

Resolution:



**Discussion Items:**

**<Item 1>**

(Proposed by Board of Directors)

Subject: To amend the Company's Articles of Incorporation

Explanatory Note:

- (1) To meet the legal requirement for casting votes electronically at a shareholders' meeting, it is proposed to amend some provisions of Article 13 of the Articles of Incorporation to adopt the candidate nomination system for election of directors and supervisors. Also, Article 21 of the Articles of Incorporation is amended to include the latest amendment date.
- (2) The comparison table of the Articles of Incorporation is attached hereto as the Appendix 6 of the Meeting Manual.
- (3) Please kindly discuss.

Resolution:

**<Item 2>**

(Proposed by Board of Directors)

Subject: To amend the Company's Rules of Election of Directors and Supervisors

Explanatory Note:

- (1) As it is mandatory for the Company to conduct electronic votes at shareholders' meeting, to comply with laws and the provisions of the Company's Articles of Incorporation, it is proposed Article 8 of the Rules be amended to fully adopt the candidate nomination system for the election of the Company's directors and supervisors.
- (2) The comparison table of the Company's Rules of Election of Directors and Supervisors is attached hereto as the Appendix 7 of the Meeting Manual.
- (3) Please kindly discuss.

Resolution:

**<Item 3>**

(Proposed by Board of Directors)

Subject: To amend the Company's Procedures of Loaning of Funds and Making of Endorsements/Guarantees

Explanatory Note:

- (1) In response to the changes in the economic environment and the needs of managing public companies' operations, the Financial Supervisory Commission has amended the "Regulations of Loaning of Funds and Making of Endorsements/Guarantees by Public

Companies". To comply with the above law, it is proposed to amended Articles 2, 3, 6, 12 and 15 of the Company's Procedures of Loaning of Funds and Making of Endorsements/Guarantees.

- (2) The comparison table of the Procedures of Loaning of Funds and Making of Endorsements/Guarantees is attached hereto as the Appendix 8 of the Meeting Manual.
- (3) Please kindly discuss.

Resolution:

**<Item 4>**

(Proposed by Board of Directors)

Subject: To release the Company's Directors and their representatives from non-compete restrictions

Explanatory Note:

- (1) Article 209 of the Company Act provides that "[a] director, who does anything for himself or on behalf of another party that falls within the scope of the company's business, shall explain to the company's shareholders the essential contents of such act and secure their approval". If the above legal requirement applies to the directors (including corporate directors and their representatives) of the Company, as required by law, a proposal should be submitted to the shareholders' meeting to consent on release of directors from non-compete restrictions under Article 209 of the Company Act.
- (2) New concurrent positions held by the Company's corporate directors and their respective representatives are as follows:

Name of Directors	Company in which Concurrent Positions are Held	Position Held
Zheng-Hao Li	SiPix Technology, Inc.	Director
Yi-Da Ho	New Field E-Paper Co., Ltd.	Director
Jun-Jie Huang	MiCareo Taiwan Co., Ltd.	Director

- (3) Although these Directors are concurrently holding these positions, their service and responsibility to the Company have not been compromised. It is thus proposed to release these Directors from non-compete restrictions and waive and/or exempt the exercise of the right of claim for the recovery according to Article 209 of the Company Act.
- (4) Please kindly discuss.

Resolution:

**<Item 5>**

(Proposed by Board of Directors)

Subject: To issue common shares through cash offering in Taiwan via private placement

Explanatory Note:

- (1) To increase operation funds and repay bank loans, as well as improving financial structure to benefit long-term operation and development of the Company, it is proposed to issue no more than 60,000,000 new commons shares through cash offereing in Taiwan via private placement (the "Private Placement Shares").
- (2) Details of the Private Placement Shares are as follows:
  - a. Basis and reasonableness of price determination:
    - (a) The issue price for the Private Placement Shares shall not be less than 80% of the reference price thereof.
    - (b) The reference price is calculated based on either of the two standards below, whichever is higher:
      - i. the simple arithmetic average of the closing prices of common shares during either one, three or five business days before the price determination date, minus ex-right for stock dividends and distributed dividends, and plus the average share price after reversed ex-right due to capital reduction; or
      - ii. the simple arithmetic average of the closing prices of common shares during the 30 business days before the price determination date, minus ex-right for stock dividends and distributed dividends, and plus the average share price after reversed ex-right due to capital reduction.
    - (c) Notwithstanding the above, it is proposed the actual price determination date and the issue price, which shall not exceed the percentage resolved at the shareholders' meeting, be determined by the Board of Directors according to the circumstance after contacting the designated subscribers.
  - b. Designation of Subscribers:

Only the persons set forth in Article 43-6 of the Securities and Exchange Act, and the Financial Supervisory Commission's (91)-Tai-Cai-Zheng-Yi-Zi No. 0910003455 Order of June 13, 2002 are qualified to subscribe the Private Placement Shares. The subscriber list, selection manner, selection purpose and subscribers' relationship with the Company regarding the Private Placement Shares, as well as other information required to be disclosed in the event of a legal entity as a subscriber, are provided in Appendix 9 of the meeting manual.
  - c. Reasons for Private Placement:

(a) Reasons Against Public Offering:

In consideration of various factors in raising capital, including efficiency, feasibility and cost of issue, private placement is proposed in order to acquire the necessary funds within the shortest possible time frame.

(b) Shares of Private Placement:

It is proposed to issue no more than 60,000,000 common shares for the private placement within one year as of the resolution date of the shareholders' meeting, which may be divided into two tranches by the Board of Directors.

(c) Use of Funds Raised by Private Placement:

The funds will be used for business operation and repayment of bank loans.

(d) Expected Benefit:

It is expected the funds will improve the Company's financial structure and strengthen the Company's solvency.

d. Rights and Obligations in Private Placement Shares:

In general the rights and obligations in the private placement are the same as the Company's outstanding common shares, and may not be resold within three years of delivery unless satisfaction of the reassignment requirements under Article 43-8 of the Securities and Exchange Act. It is proposed to obtain from the authority an recognition letter for compliance with OTC listing standards after such three years and apply for public offering and OTC listing.

(3) It is proposed to (a) authorize the Board of Directors to make necessary modifications to the shares, issue price, record date, usage plan, purpose, milestones, expected benefit and relevant items regarding the private placement based on the laws, regulations and circumstances updated from time to time; and (b) execute the private placement accordingly.

(4) Please kindly discuss.

Resolution:

**Any other business:**

## Appendix 1

### 2012 Business Report

At E Ink Holdings Inc., we continue our development in the electronic paper industry with our advanced technologies, comprehensive patent strategies, and our new and innovative philosophies in environmental protection. After years of efforts, we have successfully transformed ourselves from a pioneer of Taiwan's TFT LCD manufacturer to a major supplier of e-paper display with our own "E Ink" brand in the global markets. Our accomplishments in the small and medium size display industry in the past twenty years and the market needs for the FFS wide viewing angle display technologies are sure things.

#### Business Report for 2012

In 2012, E Ink Holdings suffered a greater loss in the first two quarters due to a great reduction of purchase orders for electronic paper displays (EPDs), lower capacity utilization, and lower gross profits for LCD products caused by the instability in the global economy and our major customer's inventory adjustments. Starting from the third quarter, however, our EPD customers returned with more purchases, and our capacity utilization quickly increased, and the amount of losses significantly decreased. Boosted by the high season effect in the fourth quarter, the combined revenues for single quarter reached NT\$10.8 billion, second highest in history, and we started to have profits thanks to the huge increase in earnings, with the earnings per share (EPS) of NT\$1.01 for the single quarter. In summary, the combined revenues for our group in 2012 are NT\$26.7 billion, the after-tax net loss is NT\$750 million, and the after-tax loss per share is NT\$0.69.

One of the main causes of the huge decrease of purchase orders due to our major EPD customers' inventory adjustments is our unbalanced reliance on single customer, single market, and single product. As such, E Ink Holdings started to finetune our operating strategies in 2012, and gradually implement the diversified development in terms of customers, markets and products, wishing to reduce the operation risks.

Also, in response to the changes in 2012 and rooted in our belief that "crisis is turning point", we purchased the shares of SiPix Technology, Inc. and integrated its "Microcup®" technologies and patents so that E Ink Holdings has a more comprehensive and complete patent strategies in the electronic paper field.

For TFT-LCD, we continued to explore other niche markets, such as automobile electronics, to sustain profits and prevent throat-cutting price competition in the consumer markets. Besides, the market demand for the FFS technology continued to have explosive growths. Hydis, our Korean subsidiary, focused its production on small size products with better gross profits, and further partnered with other manufacturers by outsourcing medium size products such as tablet computers to them. Because of the growing applications of the FFS technologies in the markets, we have signed cross license agreements, for a term of 10 years, with well-known TFT LCD manufacturers including Sharp, AU Optronics and Chunghwa Picture Tubes. Under these agreements, we are

licensed to use the other parties' patented technologies in our manufacturing of TFT and LCD products subject to the obligation to pay the other parties royalties for our use of its specific patented technologies.

### **Business Focal Point for 2013**

In organizational respect, we gave up the traditional entity- and geography-based structure and switch to the system of business units by dividing ourselves based on our products such as e-Reader, LCD, e-tag and innovative EPD application. Each business unit is responsible to explore their own customers, products and markets to accomplish our goal of diversified developments in the EPD markets.

Despite of the impact of the abrupt drop in the number of EPD purchase orders in the first half of 2012, the e-Reader market started to get back to normal in the second half. After the rapid growth in the North American markets, the growth is slowing down. But in Europe, Japan and other emerging markets, we have seen obvious growth dynamics. Overall speaking, we believe the EPD market will continue to grow in 2013. Also, as the EPD technologies continue to apply in e-tags, mobile phones, wrist watches and electronic billboards, and the ecosystem we are developing with our business partners become more mature, we expect to see another wave of growth dynamics for EPD.

To accomplish our goals, the Company will adopt the following strategies this year:

#### **(1) Continuing reduction of EPD costs and other related costs**

One of our most important tasks has been the on-going efforts to reduce the EPD costs with the goal of creating a win-win situation for our customers and the Company. Looking into 2013, the Company will continue to focus on reducing the EPD production costs by expanding the outsourcing of TFT backplane for major 6-inch models, improving the yield rate for materials, and shortening the lead time. At the same time, we work even closer with our customers and the suppliers of SOCs to timely introduce the SOC applications in an effort to cut down the cost for e-Reader, help our customers enhance e-Reader's competitiveness and push up the sales volume.

#### **(2) Optimization of environment, production process and labor force**

In response to the fluctuations in the EPD markets in 2012, the Company will keep optimizing the manufacturing process and employees' work environment to enhance efficiency of labor force. To deal with the larger number of purchase orders we received in the second half of the year, we recruited more employees as well as bettering the work environment and living quality to improve the employees' stability. We have seen a very good result according to the relevant indexes such as the employee back-to-work rate after lunar new year holiday and recruitment rate. We have also made a lot of endeavor to optimize production line and invest in automation, in an effort to improve product quality, shorten lead time and reduce the labor demand per

production output. These efforts have resulted in outstanding accomplishment and we will continue these efforts this year.

(3) Development of forward-looking EPD technologies

With our long-term devotion to "development of forward-looking technologies", EIH continues to explore and develop the most critical and outstanding technologies in electronic paper and displays. We have seen breakthroughs in front light, touch, flexible and color EPDs, which have been introduced to different application markets starting from the second half of 2012. This year we will continue to move forward and actively venture into relevant application and new markets.

(4) Establishment of the EPD ecosystem

While we are devoted to the development of EPD, EIH also actively form strategic alliance with e-Reader's upstream/downstream and peripheral businesses, and conduct technological cooperation with our major suppliers of parts and components to build a comprehensive e-Reader market with an effort to boost the Company's revenues and profits. EIH will continue the cooperation with our SOC partners for new chip design so as to keep e-Reader's pricing competitiveness and enhance its functionality.

(5) Integrate the technologies, talents and products from SiPix to provide diversified customization services

After taking in the technologies, talents and products from SiPix, EIH has a wider and more comprehensive plan for the technological strategies in the electronic paper field and advance more quickly in the development of new technologies and applications. In the future we expect to provide more diversified products and technological solutions for customers and customization services to boost our operational performance.

(6) Continued promotion efforts in the FFS technology and TFT LCD product application markets

The FFS technology has certain competitive characteristics such as wide viewing angle, low power consumption, high contrast and high resolution, and is therefore the most suitable for consumer electronic appliances such as high-end smart phones and tablet computers among all TFT-LCD display technologies. Depending on size and type of products, EIH produces certain models on our own as well as outsourcing others to third party manufacturers to cut down costs and enhance competitiveness. Also, in view of the downward trend of the gross profits for TFT LCD, we also carefully select our customers and application markets and stay away from the price competition for low profit products and explore into niche markets such as aviation, shipping, automobile, farming machines, industrial control, medical and entertainment.

(7) Continued patent cross licensing to expand the TFT LCD markets based on the FFS technologies

After signing long-term (10 years) patent cross license agreements with well-known display manufacturers such as Sharp, AU Optronics and Chunghwa Picture Tubes, we will continue this effort on the condition of equality and reciprocity to expand our cooperation basis of other display manufacturers and work with them to develop the FTF LCD markets based on the FFS technologies.

## **Outlook**

2013 marks another transformation of EIH.

After integrating the talents, technologies and resources from SiPix, we have a more comprehensive strategic plan for the electronic paper market and a solid basis for the groups diversified applications and developments for EPD technologies. We have seen the future trend in Green Reading and energy saving. We believe there are great potentials in quasi-paper, such as E Ink e-paper, with characteristics such as extremely low power consumption, durability and good view ability in strong light outdoors. This is why we are working hard to explore into other application markets, such as mobile phone, wrist watch and indoor/outdoor advertisement boards. We believe the new types of application will be rapidly emerging in the near future. Meanwhile, with our comprehensive global plan and the establishment of ecosystem, and our passion for innovation deeply rooted in our business, EIH will step into a new era with "fusion, innovation and diversification" as our core values!

Chairman: Scott Liu

Manager: Eddie Chen

Accounting Officer: Jason Lin



## Appendix 2

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders  
E Ink Holdings Inc.

We have audited the accompanying balance sheets of E Ink Holdings Inc. (the "Corporation") as of December 31, 2012 and 2011, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of BOE Mobile Display Technology Co., Ltd., as of December 31, 2012 and 2011, the investments in which the Corporation had equity-method investments by Yuen Yu Investment Co., Ltd. The investments amounted to NT\$188,713 thousand and NT\$176,378 thousand as of December 31, 2012 and 2011, respectively, which accounted for about 0.4% for both years of the Corporation's total assets. The Corporation's equity of NT\$19,399 and NT\$8,972 thousand in their net income in 2012 and 2011 were about 3.4% and 0.1%, respectively, of the Corporation's net loss and net income before income tax. The investee's financial statements were audited by other auditors whose reports have been furnished to us, and, our opinion, insofar as it relates to the amounts included for the investee, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of E Ink Holdings Inc. as of December 31, 2012 and 2011, and the results of its operation and its cash flow for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of E Ink Holdings Inc. and its subsidiaries as of and for the years ended December 31, 2012 and 2011, and have expressed a modified unqualified opinion on those statements in our report dated March 20, 2013.

March 20, 2013

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.*

*For the convenience of readers, the 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 auditors' report and financial statements shall prevail.*

# E INK HOLDINGS INC.

## BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2012		2011		LIABILITIES AND SHAREHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 3)	\$ 3,255,645	7	\$ 2,140,525	5	Short-term bank loans (Note 9)	\$ 1,390,000	3	\$ -	-
Accounts receivable, net of allowance for doubtful accounts of \$10,600 thousand (Notes 2 and 3)	412,437	1	448,217	1	Accounts payable	2,476,402	6	822,580	2
Receivables from related parties (Notes 2 and 17)	7,446,498	17	6,204,429	14	Payables to related parties (Note 17)	9,855,565	22	8,341,365	19
Other receivables - related parties (Note 17)	2,028,376	5	1,186,480	3	Income tax payable (Notes 2 and 14)	187,504	-	142,682	-
Inventories (Notes 2 and 5)	682,359	2	1,765,059	4	Accrued expenses	343,333	1	643,069	2
Prepayments (Note 17)	74,855	-	695,209	2	Payables to contractors and equipment suppliers	20,978	-	40,847	-
Deferred income tax assets (Notes 2 and 14)	162,571	-	102,923	-	Current portion of long-term bank loans (Note 10)	1,771,886	4	-	-
Other current assets (Notes 2 and 4)	43,845	-	32,824	-	Other current liabilities (Note 17)	190,311	-	132,198	-
Total current assets	14,106,586	32	12,575,666	29	Total current liabilities	16,235,979	36	10,122,741	23
<b>INVESTMENTS</b>					LONG-TERM BANK LOANS (Note 10)	4,429,714	10	5,061,000	12
Investments accounted for by the equity method (Notes 2 and 6)	25,958,154	58	26,183,148	61	<b>OTHER LIABILITIES</b>				
Financial assets at fair value through profit or loss (Notes 2 and 4)	1,431,150	3	1,411,950	3	Deferred credits (Notes 2 and 17)	-	-	69,718	-
Available-for-sale financial assets (Note 2)	614,444	2	331,247	1	Others (Notes 2, 6 and 17)	107,991	-	128	-
Financial assets carried at cost (Note 2)	77,601	-	77,601	-	Total other liabilities	107,991	-	69,846	-
Bond investments with no active market (Notes 2 and 7)	885,720	2	923,388	2	Total liabilities	20,773,684	46	15,253,587	35
Total investments	28,967,069	65	28,927,334	67	<b>CAPITAL STOCK</b>				
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 8)</b>					Common stock at par value of NT\$10				
Cost					Authorized: 2,000,000 thousand shares;				
Buildings	2,050,124	5	2,050,203	5	Issued and outstanding:				
Machinery and equipment	6,185,362	14	6,142,924	14	- 2012: 1,080,990 thousand shares	10,809,897	24	10,801,728	25
Other equipment	1,065,957	2	1,048,346	2	- 2011: 1,080,173 thousand shares	-	-	50	-
Total cost	9,301,443	21	9,241,473	21	Advance receipts for common stock	-	-	-	-
Less: Accumulated depreciation	7,927,015	18	7,769,442	18	Total capital stock	10,809,897	24	10,801,778	25
	1,374,428	3	1,472,031	3	<b>CAPITAL SURPLUS</b>				
Construction in progress and prepayments for equipment	77,192	-	38,009	-	Additional paid-in capital from share issuance in excess of par value - common stock	9,113,639	21	9,102,776	21
Property, plant and equipment, net	1,451,620	3	1,510,040	3	Additional paid-in capital from share issuance in excess of par value - bond conversion	525,200	1	525,200	1
<b>INTANGIBLE ASSETS (Note 2)</b>	5,396	-	22,749	-	From long-term investments	144,154	-	144,173	1
<b>OTHER ASSETS</b>					Employee stock options	47,861	-	41,745	-
Deferred charges (Note 2)	124,586	-	168,142	1	Total capital surplus	9,830,854	22	9,813,894	23
Deferred income tax assets (Notes 2 and 14)	7,164	-	37,074	-	<b>RETAINED EARNINGS</b>				
Other assets, net of accumulated depreciation of \$246,191 thousand in 2012 and \$241,632 thousand in 2011 (Notes 2 and 11)	11,372	-	17,452	-	Legal reserve	1,055,476	3	402,798	1
Total other assets	143,122	-	222,668	1	Special reserve	271,435	1	704,456	2
					Unappropriated earnings	2,371,170	5	6,579,273	15
					Total retained earnings	3,698,081	9	7,686,527	18
<b>TOTAL</b>	<b>\$ 44,673,793</b>	<b>100</b>	<b>\$ 43,258,457</b>	<b>100</b>	<b>OTHER EQUITY</b>				
					Cumulative translation adjustments	(488,527)	(1)	70,678	-
					Unrealized gain (loss) on financial instruments	75,698	-	(342,113)	(1)
					Treasury stock - 522 thousand shares	(25,894)	-	(25,894)	-
					Total other equity	(438,723)	(1)	(297,329)	(1)
					Total shareholders' equity	23,900,109	54	28,004,870	65
					<b>TOTAL</b>	<b>\$ 44,673,793</b>	<b>100</b>	<b>\$ 43,258,457</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 20, 2013)

# E INK HOLDINGS INC.

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 17)	\$ 13,740,659	103	\$ 26,948,046	102
SALES RETURNS AND ALLOWANCES	<u>380,804</u>	<u>3</u>	<u>609,378</u>	<u>2</u>
NET SALES	13,359,855	100	26,338,668	100
COST OF SALES (Notes 5, 16 and 17)	<u>12,235,040</u>	<u>92</u>	<u>22,203,536</u>	<u>84</u>
GROSS PROFIT	<u>1,124,815</u>	<u>8</u>	<u>4,135,132</u>	<u>16</u>
OPERATING EXPENSES (Note 16)				
Selling expenses	122,889	1	290,307	1
General and administrative expenses	530,522	4	619,653	3
Research and development expenses	<u>470,052</u>	<u>3</u>	<u>550,320</u>	<u>2</u>
Total operating expenses	<u>1,123,463</u>	<u>8</u>	<u>1,460,280</u>	<u>6</u>
OPERATING INCOME	<u>1,352</u>	<u>-</u>	<u>2,674,852</u>	<u>10</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 17)	58,223	1	32,742	-
Investment income recognized under the equity method (Note 6)	-	-	3,898,704	15
Dividend income	11,574	-	4,274	-
Gain on disposal of property, plant and equipment (Note 17)	69,718	1	23,312	-
Exchange gain, net	11,938	-	202,981	1
Rental revenue	9,937	-	53,052	-
Royalty income (Note 17)	48,634	-	-	-
Others	<u>107,206</u>	<u>1</u>	<u>22,691</u>	<u>-</u>
Total nonoperating income and gains	<u>317,230</u>	<u>3</u>	<u>4,237,756</u>	<u>16</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Note 8)	93,328	1	65,354	-
Investment loss recognized under the equity method (Note 6)	772,945	6	-	-

Financial expense	-	-	40,427	-
Depreciation of assets leased to others	-	-	42,884	-
Valuation loss on financial assets	18,706	-	71,470	1
Others	<u>1,203</u>	<u>-</u>	<u>24,692</u>	<u>-</u>
Total nonoperating expenses and losses	<u>886,182</u>	<u>7</u>	<u>244,827</u>	<u>1</u>
INCOME (LOSS) BEFORE INCOME TAX	\$ (567,600)	(4)	\$ 6,667,781	25
INCOME TAX EXPENSE (Notes 2 and 14)	<u>\$ (181,568)</u>	<u>(2)</u>	<u>\$ (141,000)</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ (749,168)</u>	<u>(6)</u>	<u>\$ 6,526,781</u>	<u>25</u>

	<u>2012</u>		<u>2011</u>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS (LOSS) PER SHARE (Note 15)				
Basic earnings (loss) per share	<u>\$ (0.53)</u>	<u>\$ (0.69)</u>	<u>\$ 6.18</u>	<u>\$ 6.05</u>
Diluted earnings per share			<u>\$ 6.15</u>	<u>\$ 6.02</u>

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

(With Deloitte & Touche audit report dated March 20, 2013)

(Concluded)

**E INK HOLDINGS INC.**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
(In Thousands of New Taiwan Dollars, Except Cash Dividends)

	Issued and Outstanding Capital Stock (Note 12)		Advance Receipts for Common Stock (Notes 2 and 12)	Capital Surplus (Notes 2 and 12)	Retained Earnings (Notes 2 and 12)			Other Equity (Notes 2, 12 and 13)			Total Shareholders' Equity
	Shares (Thousands)	Amount			Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	
BALANCE, JANUARY 1, 2011	1,077,560	\$ 10,775,602	\$ 171	\$ 9,764,320	\$ -	\$ -	\$ 4,027,978	\$ (662,221)	\$ (42,235)	\$ -	\$ 23,863,615
Appropriations of 2010 earnings											
Legal reserve	-	-	-	-	402,798	-	(402,798)	-	-	-	-
Special reserve	-	-	-	-	-	704,456	(704,456)	-	-	-	-
Cash dividends - \$2.66 per share	-	-	-	-	-	-	(2,868,232)	-	-	-	(2,868,232)
Conversion of employee stock options	2,613	26,126	(121)	34,028	-	-	-	-	-	-	60,033
Net income in 2011	-	-	-	-	-	-	6,526,781	-	-	-	6,526,781
Change in unrealized gain (loss) on available-for sale financial assets	-	-	-	-	-	-	-	-	(95,492)	-	(95,492)
Adjustment due to change in equity in investee	-	-	-	15,546	-	-	-	-	(204,386)	-	(188,840)
Cumulative translation adjustments	-	-	-	-	-	-	-	732,899	-	-	732,899
Acquisition of treasury stock - 522 thousand shares	-	-	-	-	-	-	-	-	-	(25,894)	(25,894)
BALANCE, DECEMBER 31, 2011	1,080,173	10,801,728	50	9,813,894	402,798	704,456	6,579,273	70,678	(342,113)	(25,894)	28,004,870
Reversal of special reserve	-	-	-	-	-	(433,021)	433,021	-	-	-	-
Appropriations of 2011 earnings											
Legal reserve	-	-	-	-	652,678	-	(652,678)	-	-	-	-
Cash dividends - \$3 per share	-	-	-	-	-	-	(3,239,278)	-	-	-	(3,239,278)
Conversion of employee stock options	817	8,169	(50)	8,789	-	-	-	-	-	-	16,908
Net loss in 2012	-	-	-	-	-	-	(749,168)	-	-	-	(749,168)
Change in unrealized gain (loss) on available-for sale financial assets	-	-	-	-	-	-	-	-	147,710	-	147,710
Adjustment due to change in equity in investee	-	-	-	8,171	-	-	-	-	270,101	-	278,272
Cumulative translation adjustments	-	-	-	-	-	-	-	(559,205)	-	-	(559,205)
BALANCE, DECEMBER 31, 2012	<u>1,080,990</u>	<u>\$ 10,809,897</u>	<u>\$ -</u>	<u>\$ 9,830,854</u>	<u>\$ 1,055,476</u>	<u>\$ 271,435</u>	<u>\$ 2,371,170</u>	<u>\$ (488,527)</u>	<u>\$ 75,698</u>	<u>\$ (25,894)</u>	<u>\$ 23,900,109</u>

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

(With Deloitte & Touche audit report dated March 20, 2013)

# E INK HOLDINGS INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (749,168)	\$ 6,526,781
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	182,055	351,436
Amortization	110,186	127,996
Impairment loss	-	15,866
Valuation loss on financial instruments, net	18,468	88,050
Provision for loss on inventories	100,000	307,000
Cash dividends received from equity method investees	8,496	-
Investment loss (income) recognized under the equity method	772,945	(3,898,704)
Gain on disposal of property, plant and equipment	(69,718)	(23,312)
Deferred income taxes	(29,738)	(10,500)
Net Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	238	(12,387)
Accounts receivable	35,780	61,975
Receivables from related parties	(1,242,069)	(1,578,157)
Other receivables - related parties	-	(372,807)
Inventories	982,700	529,015
Prepaid expenses	57,166	(275,875)
Other current assets	(11,259)	(5,136)
Accounts payable	1,653,822	91,648
Payables to related parties	1,514,200	2,656,067
Income tax payable	44,822	77,805
Accrued expenses	(299,736)	57,634
Other current liabilities	(2,011)	65,797
Net cash provided by operating activities	<u>3,077,179</u>	<u>4,780,192</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Financial assets at fair value through profit or loss	-	(1,500,000)
Decrease (increase) in other receivables - related parties	474,515	(124,380)
Acquisition of available-for-sale financial assets	(135,487)	(298,292)
Acquisition of investments accounted for by the equity method	(1,493,608)	(1,210,086)
Proceeds from investment company capital reduction	-	250,000
Acquisition of bond investment with no active market	-	(923,388)

Proceeds from disposal of property, plant and equipment	-	1,888
Acquisition of property, plant, and equipment	(138,945)	(164,725)
Increase in intangible assets	(73)	(2,514)
Increase in deferred charges	(52,339)	(143,412)
Decrease in other assets	<u>1,521</u>	<u>1,389</u>
Net cash used in investing activities	<u>(1,344,416)</u>	<u>(4,113,520)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	\$ 1,390,000	\$(2,005,582)
Increase in long-term bank loans	1,140,600	3,157,970
Conversion of employee stock options	16,908	60,033
Increase (decrease) in other liabilities	74,127	(4)
Cash dividends	(3,239,278)	(2,868,232)
Cash paid for acquisition of treasury stock	<u>-</u>	<u>(25,894)</u>
Net cash used in financing activities	<u>(617,643)</u>	<u>(1,681,709)</u>
NET INCREASE (DECREASE) IN CASH	1,115,120	(1,015,037)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,140,525</u>	<u>3,155,562</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,255,645</u>	<u>\$ 2,140,525</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 88,167</u>	<u>\$ 69,342</u>
Income tax paid	<u>\$ 166,484</u>	<u>\$ 73,695</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term bank loans	<u>\$ 1,771,886</u>	<u>\$ -</u>
Dividends receivable	<u>\$ 760,000</u>	<u>\$ -</u>
Reclassification from credit balance of investments accounted for by the equity method to other liabilities	<u>\$ 33,736</u>	<u>\$ -</u>
Other receivable-proceeds from investment company capital reduction	<u>\$ -</u>	<u>\$ 21,085</u>
CASH PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Acquisition of property, plant and equipment	\$ 119,076	\$ 79,247
Decrease in payables to contractors and equipment suppliers	<u>19,869</u>	<u>85,478</u>
Payment in cash	<u>\$ 138,945</u>	<u>\$ 164,725</u>

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated March 20, 2013)

(Concluded)



## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Shareholders  
E Ink Holdings Inc.

We have audited the accompanying consolidated balance sheets of E Ink Holdings Inc. and its subsidiaries (the "Corporation") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of BOE Mobile Display Technology Co., Ltd., as of December 31, 2012 and 2011, the investments in which the Corporation had equity-method investments. The investments amounted to NT\$188,713 thousand and NT\$176,378 thousand as of December 31, 2012 and 2011, respectively, which accounted for about 0.4% for both years of the consolidated assets. The Corporation's equity of NT\$19,399 thousand and NT\$8,972 thousand in their net income in 2012 and 2011 were about 3% and 0.1%, respectively, of the consolidated net loss and net income before income tax. The investee's financial statements were audited by other auditors whose reports have been furnished to us, and, our opinion, insofar as it relates to the amounts included for the investee, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of E Ink Holdings Inc. and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

March 20, 2013

Notice to Readers

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

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

# E INK HOLDINGS INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2012		2011		LIABILITIES AND SHAREHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 3)	\$ 6,939,114	15	\$ 4,373,327	10	Short-term bank loans (Note 11)	\$ 3,878,689	9	\$ 909,069	2
Financial assets at fair value through profit or loss (Notes 2 and 4)	168,260	-	238	-	Accounts payable	5,176,708	11	5,533,246	12
Notes and accounts receivable, net of allowance for doubtful accounts of \$60,872 thousand in 2012 and \$86,403 thousand in 2011 (Notes 2 and 5)	6,875,112	15	9,432,609	20	Payables to related parties (Note 19)	23,928	-	33,896	-
Receivables from related parties (Notes 2 and 19)	43,454	-	272,372	1	Income tax payable (Notes 2 and 16)	188,907	-	159,470	-
Other financial assets	200,958	1	46,640	-	Accrued expenses	1,240,007	3	1,508,046	3
Inventories (Notes 2 and 6)	3,399,110	7	5,773,028	13	Payables to contractors and equipment suppliers	402,215	1	346,905	1
Prepayments (Note 19)	606,134	1	593,030	1	Receipts in advance	656,469	1	189,226	1
Deferred income tax assets (Notes 2 and 16)	392,036	1	426,018	1	Current portion of long-term liabilities (Notes 12 and 20)	3,116,320	7	30,275	-
Other current assets (Notes 2 and 20)	291,548	1	161,641	-	Other current liabilities	262,042	1	262,479	1
<b>Total current assets</b>	<b>18,915,726</b>	<b>41</b>	<b>21,078,903</b>	<b>46</b>	<b>Total current liabilities</b>	<b>14,945,285</b>	<b>33</b>	<b>8,972,612</b>	<b>20</b>
<b>INVESTMENTS</b>					<b>LONG-TERM LIABILITIES (Notes 12 and 20)</b>	<b>6,135,908</b>	<b>13</b>	<b>8,027,052</b>	<b>17</b>
Investments accounted for by the equity method (Notes 2 and 7)	271,748	1	282,542	-	<b>OTHER LIABILITIES</b>				
Financial assets at fair value through profit or loss (Notes 2 and 4)	1,682,655	4	1,672,015	4	Accrued pension liabilities (Notes 2 and 13)	766,059	2	683,612	1
Available-for-sale financial assets (Note 2)	1,539,466	3	985,957	2	Other liabilities	208,314	-	311,654	1
Financial assets carried at cost (Notes 2 and 8)	2,730,367	6	2,635,442	6	<b>Total other liabilities</b>	<b>974,373</b>	<b>2</b>	<b>995,266</b>	<b>2</b>
<b>Total investments</b>	<b>6,224,236</b>	<b>14</b>	<b>5,575,956</b>	<b>12</b>	<b>Total liabilities</b>	<b>22,055,566</b>	<b>48</b>	<b>17,994,930</b>	<b>39</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9, 12 and 20)</b>					<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Cost					Capital stock				
Buildings	8,562,011	19	7,739,860	17	Common stock at par value of NT\$10;				
Machinery and equipment	22,296,238	48	20,834,707	45	Authorized: 2,000,000 thousand shares;				
Other equipment	3,803,821	8	3,487,376	8	Issued and outstanding:				
Total cost	34,662,070	75	32,061,943	70	- 2012: 1,080,990 thousand shares				
Less: Accumulated depreciation	25,293,677	55	23,374,508	51	- 2011: 1,080,173 thousand shares	10,809,897	24	10,801,728	24
Accumulated impairment	455,374	1	372,961	1	Advance receipts for common stock	-	-	50	-
	8,913,019	19	8,314,474	18	Total capital stock	10,809,897	24	10,801,778	24
Construction in progress and prepayments for equipment	859,684	2	974,303	2	Capital surplus				
<b>Property, plant and equipment, net</b>	<b>9,772,703</b>	<b>21</b>	<b>9,288,777</b>	<b>20</b>	Additional paid-in capital from share issuance in excess of par value - common stock	9,113,639	20	9,102,776	20
<b>INTANGIBLE ASSETS (Notes 2 and 10)</b>					Additional paid-in capital from share issuance in excess of par value - bond conversion	525,200	1	525,200	1
Patent	3,379,359	7	2,898,717	6	From long-term investments	144,154	-	144,173	-
Goodwill	6,732,067	15	6,062,358	13	Employee stock options	47,861	-	41,745	-
Others	111,480	-	236,256	1	Total capital surplus	9,830,854	21	9,813,894	21
<b>Total intangible assets</b>	<b>10,222,906</b>	<b>22</b>	<b>9,197,331</b>	<b>20</b>	Retained earnings				
<b>OTHER ASSETS</b>					Legal reserve	1,055,476	2	402,798	1
Deferred charges (Note 2)	506,527	1	653,593	1	Special reserve	271,435	1	704,456	2
Deferred income tax assets (Notes 2 and 16)	66,441	-	41,252	-	Unappropriated earnings	2,371,170	5	6,579,273	14
Others (Notes 2, 13 and 20)	206,820	1	348,518	1	Total retained earnings	3,698,081	8	7,686,527	17
<b>Total other assets</b>	<b>779,788</b>	<b>2</b>	<b>1,043,363</b>	<b>2</b>	Other equity				
<b>TOTAL</b>	<b>\$ 45,915,359</b>	<b>100</b>	<b>\$ 46,184,330</b>	<b>100</b>	Cumulative translation adjustments	(488,527)	(1)	70,678	-
					Unrealized gain (loss) on financial instruments	75,698	-	(342,113)	(1)
					Treasury stock - 522 thousand shares	(25,894)	-	(25,894)	-
					Total other equity	(438,723)	(1)	(297,329)	(1)
					<b>Total equity attributable to shareholders of the parent</b>	<b>23,900,109</b>	<b>52</b>	<b>28,004,870</b>	<b>61</b>
					<b>MINORITY INTEREST</b>	<b>(43,316)</b>	<b>-</b>	<b>184,530</b>	<b>-</b>
					<b>Total shareholders' equity</b>	<b>23,856,793</b>	<b>52</b>	<b>28,189,400</b>	<b>61</b>
					<b>TOTAL</b>	<b>\$ 45,912,359</b>	<b>100</b>	<b>\$ 46,184,330</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 20, 2013)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 19)	\$ 27,182,260	102	\$ 39,066,525	102
SALES RETURNS AND ALLOWANCES	<u>477,478</u>	<u>2</u>	<u>638,404</u>	<u>2</u>
NET SALES	26,704,782	100	38,428,121	100
COST OF SALES (Notes 6, 18 and 19)	<u>23,848,381</u>	<u>89</u>	<u>26,400,577</u>	<u>69</u>
GROSS PROFIT	<u>2,856,401</u>	<u>11</u>	<u>12,027,544</u>	<u>31</u>
OPERATING EXPENSES (Notes 18 and 19)				
Selling expenses	419,716	2	811,363	2
General and administrative expenses	2,192,830	8	2,448,479	6
Research and development expenses	<u>1,693,493</u>	<u>6</u>	<u>1,762,273</u>	<u>5</u>
Total operating expenses	<u>4,306,039</u>	<u>16</u>	<u>5,022,115</u>	<u>13</u>
OPERATING INCOME (LOSS)	<u>(1,449,638)</u>	<u>(5)</u>	<u>7,005,429</u>	<u>18</u>
NONOPERATING INCOME AND GAINS				
Interest income	157,154	-	44,206	-
Dividend income	31,301	-	14,424	-
Exchange gain, net	257,408	1	273,356	1
Rental revenue (Note 19)	26,735	-	68,715	-
Valuation gain on financial assets	21,310	-	-	-
Royalty income	491,229	2	243,078	1
Others (Note 19)	<u>222,389</u>	<u>1</u>	<u>136,352</u>	<u>-</u>
Total nonoperating income and gains	<u>1,207,526</u>	<u>4</u>	<u>780,131</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 9 and 19)	195,965	1	200,701	1
Loss on disposal of properties	18,470	-	108,229	-
Financial expense	-	-	40,427	-
Depreciation of assets leased to others	-	-	42,884	-
Impairment loss (Notes 2, 8, 9 and 10)	144,528	-	353,065	1
Valuation loss on financial assets	-	-	68,515	-

Others (Note 19)	<u>35,152</u>	<u>-</u>	<u>80,732</u>	<u>-</u>
Total nonoperating expenses and losses	<u>394,115</u>	<u>1</u>	<u>894,553</u>	<u>2</u>
INCOME (LOSS) BEFORE INCOME TAX	(636,227)	(2)	6,891,007	18
INCOME TAX EXPENSE (Notes 2 and 16)	<u>\$ 447,410</u>	<u>2</u>	<u>\$ 559,957</u>	<u>2</u>
CONSOLIDATED NET INCOME (LOSS)	<u>\$ (1,083,637)</u>	<u>(4)</u>	<u>\$ 6,331,050</u>	<u>16</u>
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ (749,168)	(3)	\$ 6,526,781	17
Minority interest	<u>(334,469)</u>	<u>(1)</u>	<u>(195,731)</u>	<u>(1)</u>
	<u>\$ (1,083,637)</u>	<u>(4)</u>	<u>\$ 6,331,050</u>	<u>16</u>
	<b>2012</b>		<b>2011</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS (LOSS) PER SHARE (Note 17)				
Basic earnings (loss) per share	<u>\$ (0.53)</u>	<u>\$ (0.69)</u>	<u>\$ 6.18</u>	<u>\$ 6.05</u>
Diluted earnings per share			<u>\$ 6.15</u>	<u>\$ 6.02</u>

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

(With Deloitte & Touche audit report dated March 20, 2013)

(Concluded)

**E INK HOLDINGS INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(In Thousands of New Taiwan Dollars, Except Cash Dividends)**

	Issued and Outstanding Capital Stock (Note 14)		Advance Receipts for Common Stock (Notes 2 and 14)	Capital Surplus (Notes 2 and 14)	Retained Earnings (Notes 2 and 14)			Other Equity (Notes 2, 14 and 15)			Equity Attributable to Shareholders of the Parent	Minority Interest	Total Shareholders' Equity
					Legal Reserve	Special Reserve	Unappropriate Earnings	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock			
	(Thousands)	Amount	(Notes 2 and 14)	(Notes 2 and 14)							Legal Reserve	Special Reserve	Unappropriate Earnings
BALANCE, JANUARY 1, 2011	1,077,560	\$ 10,775,602	\$ 171	\$ 9,764,320	\$ -	\$ -	\$ 4,027,978	\$ (42,235)	\$ (662,221)	\$ -	\$ 23,863,615	\$ 531,609	\$ 24,395,224
Appropriation of 2010 earnings													
Legal reserve	-	-	-	-	402,798	-	(402,798)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	704,456	(704,456)	-	-	-	-	-	-
Cash dividends - \$2.66 per share	-	-	-	-	-	-	(2,868,232)	-	-	-	(2,868,232)	-	(2,868,232)
Conversion of employee stock options	2,613	26,126	(121)	34,028	-	-	-	-	-	-	60,033	-	60,033
Consolidated net income in 2011	-	-	-	-	-	-	6,526,781	-	-	-	6,526,781	(195,731)	6,331,050
Change in unrealized gain (loss) on available-for sale financial assets	-	-	-	-	-	-	-	(95,492)	-	-	(95,492)	-	(95,492)
Adjustment due to change in equity in investee	-	-	-	15,546	-	-	-	(204,386)	-	-	(188,840)	-	(188,840)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	732,899	-	732,899	-	732,899
Acquisition of treasury stock - 522 thousand shares	-	-	-	-	-	-	-	-	-	(25,894)	(25,894)	-	(25,894)
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	(151,348)	(151,348)
BALANCE, DECEMBER 31, 2011	1,080,173	10,801,728	50	9,813,894	402,798	704,456	6,579,273	(342,113)	70,678	(25,894)	28,004,870	184,530	28,189,400
Reversal of special reserve	-	-	-	-	-	(433,021)	433,021	-	-	-	-	-	-
Appropriation of 2011 earnings													
Legal reserve	-	-	-	-	652,678	-	(652,678)	-	-	-	-	-	-
Cash dividends - \$3 per share	-	-	-	-	-	-	(3,239,278)	-	-	-	(3,239,278)	-	(3,239,278)
Conversion of employee stock options	817	8,169	(50)	8,789	-	-	-	-	-	-	16,908	-	16,908
Consolidated net loss in 2012	-	-	-	-	-	-	(749,168)	-	-	-	(749,168)	(334,469)	(1,083,637)
Change in unrealized gain (loss) on available-for sale financial assets	-	-	-	-	-	-	-	147,710	-	-	147,710	-	147,710
Adjustment due to change in equity in investee	-	-	-	8,171	-	-	-	270,101	-	-	278,272	-	278,272
Cumulative translation adjustments	-	-	-	-	-	-	-	-	(559,205)	-	(559,205)	-	(559,205)
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	106,623	106,623
BALANCE, DECEMBER 31, 2012	<u>1,080,990</u>	<u>\$ 10,809,897</u>	<u>\$ -</u>	<u>\$ 9,830,854</u>	<u>\$ 1,055,476</u>	<u>\$ 271,435</u>	<u>\$ 2,371,170</u>	<u>\$ 75,698</u>	<u>\$ (488,527)</u>	<u>\$ (25,894)</u>	<u>\$ 23,900,109</u>	<u>\$ (43,316)</u>	<u>\$ 23,856,793</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated March 20, 2013)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income (loss)	\$(1,083,637)	\$ 6,331,050
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	1,428,342	1,574,623
Amortization	621,614	687,957
Impairment loss	144,528	353,065
Valuation loss (gain) on financial instruments, net	(21,548)	85,402
Provision for loss on inventories	566,863	1,119,199
Gain on sale of investments, net	-	(1,552)
Investment loss (gain) recognized under the equity method	(7,063)	5,383
Loss on disposal of properties	18,470	108,229
Discount amortization of convertible bonds	-	18,907
Compensation cost of employee stock options	8,190	22,173
Deferred income taxes	(3,426)	(6,019)
Net changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(167,762)	(11,999)
Notes and accounts receivable	2,343,202	(5,815,910)
Receivables from related parties	347,285	(27,207)
Other financial assets	(159,441)	266,798
Inventories	1,652,564	(261,457)
Prepayments	(45,076)	475,600
Other current assets	169,605	(28,419)
Accounts payable	(308,806)	513,516
Payables to related parties	(10,593)	(70,381)
Income tax payable	29,437	93,033
Accrued expenses	(267,811)	61,033
Receipts in advance	500,121	(173,212)
Other current liabilities	(359,746)	240,838
Accrued pension liabilities	54,144	185,622
Net cash provided by operating activities	<u>5,449,456</u>	<u>5,746,272</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in financial assets at fair value through profit or loss	-	(1,757,417)
Acquisition of available-for-sale financial assets	(135,697)	(439,579)
Proceeds from disposal of available-for-sale financial assets	-	81,844

Proceeds from disposal of subsidiaries' shares	-	6,523
Acquisition of property, plant, and equipment	(1,427,062)	(2,661,154)
Proceeds from disposal of property, plant and equipment	57,361	122,768
Increase in intangible assets	(8,744)	(15,496)
Increase in deferred charges	(79,287)	(606,644)
Acquisition of subsidiaries' shares	(1,269,527)	-
Increase (decrease) in other assets	<u>142,646</u>	<u>(202,539)</u>
Net cash used in investing activities	<u>(2,720,310)</u>	<u>(5,471,694)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term bank loans	\$ 2,175,396	\$(2,330,737)
Increase in long-term liabilities	1,294,012	4,282,235
Redemption of convertible bonds	-	(540,272)
Redemption of bonds payable	-	(366,132)
Decrease in other liabilities	(113,647)	(113,205)
Conversion of employee stock options	16,908	60,033
Change in minority interest	103,830	25,863
Cash paid for acquisition of treasury stock	-	(25,894)
Cash dividends	<u>(3,239,278)</u>	<u>(2,868,232)</u>
Net cash provided by (used in) financing activities	<u>237,221</u>	<u>(1,876,341)</u>
EFFECT OF CHANGE IN CONSOLIDATED ENTITIES	<u>21,335</u>	<u>-</u>
CURRENCY TRANSLATION ADJUSTMENT	<u>(424,915)</u>	<u>288,317</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,562,787	(1,313,446)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,373,327</u>	<u>5,686,773</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,936,114</u>	<u>\$ 4,373,327</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 167,830</u>	<u>\$ 187,664</u>
Income tax paid	<u>\$ 397,317</u>	<u>\$ 599,708</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of long-term liabilities	<u>\$ 3,116,320</u>	<u>\$ 30,275</u>
<b>CASH PAID FOR ACQUISITION OF PROPERTY, PLANT, AND EQUIPMENT</b>		
Acquisition of property, plant and equipment	\$ 1,484,939	\$ 2,269,305
Decrease (increase) in payables to contractors and equipment suppliers	<u>(57,877)</u>	<u>391,849</u>
Payment in cash	<u>\$ 1,427,062</u>	<u>\$ 2,661,154</u>

(Continued)



## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

Additional disclosure of acquisition of subsidiaries' shares:

In 2012, E Ink Holdings Inc. (EIH) acquired 98.48% of the shares of Sipix Technology Inc. and its subsidiaries Sipix Imaging, Inc.. The fair value of acquired assets and liabilities were as follows:

	Sipix Technology, Inc.	Sipix Imaging, Inc.	Total
Cash	\$ 61,026	\$ 8,513	\$ 69,539
Accounts receivable	31	120,020	120,051
Inventories	8,718	-	8,718
Other current assets	257,332	2,538	259,870
Property, plant and equipment, net	757,250	10,104	767,354
Other assets	8,990	9,293	18,283
Short-term bank loans	(837,547)	-	(837,547)
Accounts payable	(47,867)	(4,036)	(51,903)
Accrued expenses	(48,072)	-	(48,072)
Current portion of long-term liabilities	(67,800)	-	(67,800)
Other current liabilities	(175,757)	(31,928)	(207,685)
Long-term liabilities	(90,150)	-	(90,150)
Subtotal	<u>\$ (173,846)</u>	<u>\$ 114,504</u>	(59,342)
Percentage of acquired shares			<u>98.48%</u>
Net equity			(58,440)
Payment for acquisition			<u>1,409,102</u>
Goodwill and intangible assets			<u>\$ 1,467,542</u>

(Continued)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

Additional disclosure of disposal of subsidiaries' shares:

In 2011, E Ink Holdings Inc. (EIH) disposed the shares of Yangzhou Aurac-tech Co. Limited, Qingdao Effect Media Corp., Yeon Technologies (Yangzhou) Co. Ltd., Arizon RFID Technology (Yangzhou) Co. Ltd., and RFIDYD AI & Network Technology Co. Ltd.. The fair value of disposed assets and liabilities were as follows:

	Yangzhou Aurac-tech Co. Limited	Qingdao Effect Media Corp.	Yeon Technologies (Yangzhou) Co. Ltd.	Arizon RFID Technology (Yangzhou) Co. Ltd.	RFIDYD AI & Network Technology Co. Ltd.	Total
Cash	\$ 2,104	\$ 756	\$ 112	\$ 100,910	\$ 968	\$ 104,850
Accounts receivable	11,457	-	8,202	87,164	-	106,823
Inventories	17,685	-	10,448	57,033	163	85,329
Other current assets	2,937	219	3,146	22,518	1,801	30,621
Property, plant and equipment, net	703	85	112	459,002	14	459,916
Other assets	203	5	77	5,969	-	6,254
Accounts payable	(18,823)	(25,697)	(16,965)	(106,611)	-	(168,096)
Accrued expenses	(285)	-	(2,477)	(6,696)	-	(9,458)
Other current liabilities	<u>(1,023)</u>	<u>(2,141)</u>	<u>(452)</u>	<u>(95,079)</u>	<u>(426)</u>	<u>(99,121)</u>
Subtotal	14,958	(26,773)	2,203	524,210	2,520	517,118
Percentage of disposed shares	<u>70%</u>	<u>70%</u>	<u>100%</u>	<u>62.4%</u>	<u>55%</u>	
Net equity	<u>\$ 10,470</u>	<u>\$ (18,741)</u>	<u>\$ 2,203</u>	<u>\$ 327,107</u>	<u>\$ 1,386</u>	322,425
Proceeds of disposal						<u>322,345</u>
Loss on disposal						\$ (80)

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

(With Deloitte & Touche audit report dated March 20, 2013)

(Concluded)

## Appendix 3

### **SUPERVISORS' REVIEW REPORT**

The Board of Directors has prepared the Company's 2012 business report, financial statements and proposal of earnings distribution. And Deloitte & Touche, a CPA firm, has completed its audit to the Company's financial statements and issued an audit report thereof. The above-mentioned business report, financial statements and proposal have been reviewed and determined to be correct and accurate by us, so, according to Article 219 of the Company Act, we hereby submit this report to the 2013 Annual General Meeting of stockholders of the Company.

E INK HOLDINGS INC.

Supervisors: Li-Chun Hsiao

Ching-I Wang

Ching-Yuan Chang

Date: March 25, 2013

## Appendix 4

### E INK HOLDINGS INC. Comparison Table of the Amendment to Rules of Board of Directors Meeting

Article	After Amendment	Before Amendment	Explanation of Amendment
3	<p>The Board meeting shall be convened at least once per quarter.</p> <p>The notice of Board meeting shall be delivered to each Director and Supervisor at least seven days before the meeting; while in case of emergency, the meeting may be convened anytime.</p> <p><u>Subject to the consent of the recipient, the meeting notice under the preceding paragraph may be sent electronically.</u></p> <p>All matters listed in Paragraph1 of Article 7 shall be specified in the notice of Board meeting; none of such matters may be raised by a motion of any other business except in the case of emergency or any other legitimate causes.</p>	<p>The Board meeting shall be convened at least once per quarter.</p> <p>The notice of Board meeting shall be delivered to each Director and Supervisor at least seven days before the meeting; while in case of emergency, the meeting may be convened anytime.</p> <p>All matters listed in Paragraph1 of Article 7 shall be specified in the notice of Board meeting; none of such matters may be raised by a motion of any other business except in the case of emergency or any other legitimate causes.</p>	<ol style="list-style-type: none"> <li>1. As the electronic technologies continue to advance, a notice of the Board meeting shall be sent in the same manner as a notice of the Shareholders meeting, and may be delivered electronically subject to the consent of the recipient. The third paragraph is added in compliance with the amendment to Paragraph 2 of Article 204 of the Company Act.</li> <li>2. The third paragraph is moved to the fourth paragraph.</li> </ol>
7	<p>The following matters shall be submitted for discussion at the Board meeting:</p> <ol style="list-style-type: none"> <li>(1) The Company's business plan.</li> <li>(2) Annual and semi-annual financial reports <u>(excluding the semi-annual financial reports not required by law for audit and certification by CPA).</u></li> <li>(3) Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</li> <li>(4) Adoption of amendment of procedures for acquisition or disposal of assets, derivatives trading, monetary lending,</li> </ol>	<p>The following matters shall be submitted for discussion at the Board meeting:</p> <ol style="list-style-type: none"> <li>(1) The Company's business plan.</li> <li>(2) Annual and semi-annual financial reports.</li> <li>(3) Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</li> <li>(4) Adoption of amendment of procedures for acquisition or disposal of assets, derivatives trading, monetary lending, endorsement or guarantee, or any other financial or business acts of significance</li> </ol>	<ol style="list-style-type: none"> <li>1. According to the amendment to Subparagraph 2, Paragraph 1 of Article 36 of the Securities and Exchange Act, an interim financial report shall be reviewed by CPA and submitted to Board meeting. It means the report should be reported to the Board meeting, not for discussion at the Board meeting. However, in view that the semi-annual financial report should be audited and certified</li> </ol>

Article	After Amendment	Before Amendment	Explanation of Amendment
	<p>endorsement or guarantee, or any other financial or business acts of significance under Article 36-1 of the Securities and Exchange Act.</p> <p>(5) The offering, issuance, or private placement of any equity-like securities.</p> <p>(6) The appointment or discharge of a financial, accounting, or internal auditing officer.</p> <p><u>(7) Donations to related parties or significant donations to non-related parties; provided that pro bono donations for significant natural disasters may be retrospectively recognized at the next Board meeting.</u></p> <p><u>(8) Any matter required by Article 14-3 of the Securities and Exchange Act or any other statute, regulation, or the Company's Articles of Incorporation to be approved by the general meeting or Board meeting, or any other significant matter prescribed by the competent authority.</u></p> <p><u>For purpose of Paragraph (7) above, a related party means the related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers; significant donations to non-related parties means the amount of a donation or accumulated amount of donations to the same party in a year is above NT\$100,000,000, or at 1% or above of the net business income or 5% or above of the paid-in capital stated in the CPA certified</u></p>	<p>under Article 36-1 of the Securities and Exchange Act.</p> <p>(5) The offering, issuance, or private placement of any equity-like securities.</p> <p>(6) The appointment or discharge of a financial, accounting, or internal auditing officer.</p> <p>(7) Any matter required by Article 14-3 of the Securities and Exchange Act or any other statute, regulation, or the Company's Articles of Incorporation to be approved by the general meeting or Board meeting, or any other significant matter prescribed by the competent authority.</p> <p>During the period that the Company has Independent Directors, each Independent Director shall attend in person any meeting concerning a matter that requires a resolution by the Board under Article 14-3 of the Securities and Exchange Act, or shall appoint another Independent Director to attend on his or her behalf. If an Independent Director objects to or expresses reservations about the matter, it shall be recorded in the Board meeting minutes; an Independent Director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</p>	<p>by CPA, it should also be submitted to the Board meeting for discussion. As such, a second half is added to Subparagraph 2, Paragraph 1 according to law to provide that a financial report not subject to CPA audit and certification does not need to be submitted to the Board meeting for discussion.</p> <p>2. In view that a public company's donations to related party or significant donations to non-related party may affect the company's shareholders' equity, a strengthened regulation is required. As such, Subparagraph 7 of Paragraph 1 is added to provide that the company's donations to related party or significant donations to non-related party should be submitted to the Board meeting for discussion. Further, in view that disaster relief requires immediate actions in the event of major natural disasters, and donations may not be timely provided if they are subject to discussion at the Board meeting, a provision is added to the paragraph to provide that pro bono donations may be retrospectively recognized at</p>

Article	After Amendment	Before Amendment	Explanation of Amendment
	<p><u>financial report for the most recent year.</u>  <u>The one year in the preceding paragraph means the one-year period ending on the date of the Board meeting. Amount of donations approved upon resolution of the Board meeting will not count toward the limit.</u>            During the period that the Company has Independent Directors, each Independent Director shall attend in person any meeting concerning a matter that requires a resolution by the Board under Article 14-3 of the Securities and Exchange Act, or shall appoint another Independent Director to attend on his or her behalf. If an Independent Director objects to or expresses reservations about the matter, it shall be recorded in the Board meeting minutes; an Independent Director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</p>		<p>the next Board meeting. Subparagraph (7) of the first paragraph is moved to Subparagraph (8).</p> <ol style="list-style-type: none"> <li>3. To clearly define the "related party" for compliance, the first half is added to the second paragraph to provide the definition of a related party.</li> <li>4. As the company's donations to non-related party may not have potential conflict of interest as in the case of donations to related party, the principle of importance is adopted based on the size of the company and by referring to the standards for restatement of financial report to reflect corrected dollar amounts under Paragraph 1 of Article 6 of the Enforcement Rules of Securities and Exchange Act, the standards for large transaction amount under Article 17 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the provisions of Paragraph 2 of Article 30 of the Guidelines for Handling Acquisition and Disposal of Assets by Public Companies, and the standards and calculation method for</li> </ol>

Article	After Amendment	Before Amendment	Explanation of Amendment
			<p>"significant" donations are specified in the latter half of the second paragraph.</p> <p>5. Regarding the calculation method of accumulated amount of donations to the same party in one year, we refer to the provisions of Paragraph 3 of Article 30 of the Guidelines for Handling Acquisition and Disposal of Assets by Public Companies and state in the third paragraph that "one year" is the one-year period ending on the date of the Board meeting, and those donations that have been discussed and approved at the Board meeting will not count toward the limit.</p> <p>6. Paragraph 2 is moved to Paragraph 4.</p>
10	<p>At any Board meeting, the Company may, if necessary for the agenda items, notify <u>persons</u> from relevant departments or <u>subsidiaries</u> to attend the meeting as non-voting participants. When necessary, the Company may also invite certificated public accountants, attorneys, or other professionals to attend as non-voting participants <u>and provide explanations, who, however, must excuse themselves from the discussion and voting thereon.</u></p>	<p>At any Board meeting, the Company may, if necessary for the agenda items, notify <u>non-director officers</u> from relevant departments to attend the meeting as non-voting participants. When necessary, the Company may also invite certificated public accountants, attorneys, or other professionals to attend as non-voting participants.</p>	<p>1. To strengthen the Company's governance of its subsidiaries, the first paragraph is revised to include that the Company may, at a Board meeting, if necessary for the agenda items, notify persons from subsidiaries to attend the meeting as non-voting participants. Also, as who from relevant departments may attend the meeting as non-voting participants should</p>

Article	After Amendment	Before Amendment	Explanation of Amendment
			<p>depend on the needs of the Company, the scope of participants is expanded from "officers" to "persons".</p> <p>2. To further strengthen the corporate governance, and avoid the participants in the second paragraph from influencing discussion and voting at the Board meeting, the latter half of the second paragraph is revised to provide that CPAs, attorneys or other professionals may attend the meeting as non-voting participants and provide explanations but must exclude themselves from discussion and voting. For the same issue, if necessary, these participants may rejoin the meeting any time to provide explanations.</p>
16	<p>If any Director, or the legal entity he or she represents, has conflict of interest regarding any agenda item, <u>the Director shall describe the important details about the conflict of interest at the same Board meeting, and if the Company's interests may be prejudiced, the Director shall excuse himself or herself from the discussion and voting thereon. The conflicting Director also may not vote on behalf of any other Director for the agenda item.</u></p>	<p>If any Director, or the legal entity he or she represents, has conflict of interest regarding any agenda item and therefore may prejudice the Company's interests, the Director <u>may state opinions and answer questions</u> but shall excuse himself or herself from the discussion and voting thereon. The conflicting Director also may not vote on behalf of any other Director for the agenda item.</p> <p>With respect to a resolution at a Board meeting, Paragraph 2 of Article 180 of the</p>	<p>1. For a healthy corporate governance, and to make the Board better understand conflict of interest regarding the Company, and protect the rights and benefits of investors, as well as in compliance with the added provisions in Paragraph 2 of Article 206 of the Company Act, the first paragraph is revised to state that if a Director</p>



Article	After Amendment	Before Amendment	Explanation of Amendment
	<p>With respect to a resolution at a Board meeting, Paragraph 2 of Article 180 of the Company Act, as applied mutatis mutandis under Paragraph 2 of Article 206 of the Act, shall apply in cases where a Director is prohibited by the preceding paragraph from voting.</p>	<p>Company Act, as applied mutatis mutandis under Paragraph 2 of Article 206 of the Act, shall apply in cases where a Director is prohibited by the preceding paragraph from voting.</p>	<p>or the legal entity he/she represents has conflict of interest regarding an agenda item, he/she shall describe the important details about the conflict of interest at the Board meeting. If the Company's interests may be prejudiced, these Directors should excuse themselves from the discussion.</p> <p>2. The language of the second paragraph is slightly revised in accordance with the change to Article 206 of the Company Act.</p>
17	<p>Minutes shall be prepared of the discussions at Board meetings. Meeting minutes shall accurately record the following:</p> <ol style="list-style-type: none"> <li>(1) Session, time, and place of meeting.</li> <li>(2) Name of the chairperson.</li> <li>(3) Attendance status of Directors at the meeting, including the names and number of Directors present, on leave, and absent.</li> <li>(4) Names and titles of those attending the meeting as nonvoting participants.</li> <li>(5) Name of minutes taker.</li> <li>(6) Report Items.</li> <li>(7) Discussion items: specifying the resolution method and result for each proposal, and summary of the comments, <u>name of Director having conflict of interest as provided in Paragraph 1 of the preceding article.</u></li> </ol>	<p>Minutes shall be prepared of the discussions at Board meetings. Meeting minutes shall accurately record the following:</p> <ol style="list-style-type: none"> <li>(1) Session, time, and place of meeting.</li> <li>(2) Name of the chairperson.</li> <li>(3) Attendance status of Directors at the meeting, including the names and number of Directors present, on leave, and absent.</li> <li>(4) Names and titles of those attending the meeting as nonvoting participants.</li> <li>(5) Name of minutes taker.</li> <li>(6) Report Items.</li> <li>(7) Discussion items: specifying the resolution method and result for each proposal, and summary of the comments, objections or reservations expressed by Directors, Supervisors, experts, or others at the meeting that</li> </ol>	<p>1. To better disclose a Director's involvement in an agenda item of which he/she has conflict of interest, Subparagraphs 7 and 8 of the first paragraph are revised to include name of Director having conflict of interest as provided in Paragraph 1 of the preceding article, description of major details about the conflict of interest, reasons why he or she should or should not excuse himself or herself, status of excuse must be specified in the meeting minutes. Also the Company should remind Directors to make sure to avoid conflict of interest and act</p>

Article	After Amendment	Before Amendment	Explanation of Amendment
	<p><u>description of major details about the conflict of interest, reasons why he or she should or should not excuse himself or herself, status of excuse,</u> objections or reservations expressed by Directors, Supervisors, experts, <u>and</u> others at the meeting that have been included in records or stated in writing, and any opinion issued in writing by an Independent Director under Paragraph 5 of Article 7.</p> <p>(8) Any other business: specifying the name of the mover, the resolution method and result for each motion, summary of comments, <u>name of Director having conflict of interest as provided in Paragraph 1 of the preceding article, description of major details about the conflict of interest, reasons why he or she should or should not excuse himself or herself, status of excuse,</u> and objections or reservations expressed by, Directors, Supervisors, experts, or others at the meeting that have been included in records or stated in writing.</p> <p>(9) Other matters required to be recorded. Any of the following matters in relation to a resolution passed at a Board meeting shall be stated in the meeting minutes and within two days of the meeting be published on an information reporting website designated by the competent authority:</p> <p>(1) Any matter about which an Independent Director expresses an objection or</p>	<p>have been included in records or stated in writing, and any opinion issued in writing by an Independent Director under Paragraph 2 of Article 7.</p> <p>(8) Any other business: specifying the name of the mover, the resolution method and result for each motion, summary of comments, objections or reservations expressed by, Directors, Supervisors, experts, or others at the meeting that have been included in records or stated in writing.</p> <p>(9) Other matters required to be recorded. Any of the following matters in relation to a resolution passed at a Board meeting shall be stated in the meeting minutes and within two days of the meeting be published on an information reporting website designated by the competent authority:</p> <p>(1) Any matter about which an Independent Director expresses an objection or reservation that has been included in records or stated in writing.</p> <p>(2) Any matter that has not been passed by the audit committee (where the Company has established an audit committee), but has been adopted with the approval of two-thirds or more of the Directors.</p> <p>The attendance book forms a part of the minutes for each Board meeting and shall be well preserved during the existence of the Company.</p> <p>The minutes of a Board meeting shall bear</p>	<p>according to the applicant regulations.</p> <p>2. The language in Subparagraph 7 of the first paragraph is slightly revised to reflect that the second paragraph of Article 7 has been moved to the fifth paragraph of the same article.</p>

Article	After Amendment	Before Amendment	Explanation of Amendment
	<p>reservation that has been included in records or stated in writing.</p> <p>(2) Any matter that has not been passed by the audit committee (where the Company has established an audit committee), but has been adopted with the approval of two-thirds or more of the Directors.</p> <p>The attendance book forms a part of the minutes for each Board meeting and shall be well preserved during the existence of the Company.</p> <p>The minutes of a Board meeting shall bear the signature or seal of both the chairperson and the minutes taker; a copy of the minute shall be distributed to each Director and Supervisor within 20 days after the meeting and well preserved as important company records during the existence of the Company.</p> <p>The production and distribution of the meeting minutes referred to in paragraph 1 herein may be done in electronic form.</p>	<p>the signature or seal of both the chairperson and the minutes taker; a copy of the minute shall be distributed to each Director and Supervisor within 20 days after the meeting and well preserved as important company records during the existence of the Company.</p> <p>The production and distribution of the meeting minutes referred to in paragraph 1 herein may be done in electronic form.</p>	

## Appendix 5

### E INK HOLDINGS INC. 2012 EARNINGS DISTRIBUTION STATEMENT

Item	Amount (NTD)
Retained earnings at the beginning of this fiscal year	\$ 3,120,337,476
Deduct: After-tax losses of this year	(749,167,690)
Special reserve provided	(141,393,893)
Distributable retained earnings of this fiscal year	2,229,775,893
Item of Allocation	0
Unappropriated retained earnings at the end of this fiscal year	\$ 2,229,775,893

Chairman: Scott Liu

Manager: Eddie Chen

Accounting Officer: Jason Lin

## Appendix 6

### E INK HOLDINGS INC.

#### Comparison Table of the Draft Amendment to Articles of Incorporation

Article	After Amendment	Before Amendment	Remarks
13	<p>The Company shall have nine (9) directors and three (3) supervisors, <u>all to be nominated according to the candidate nomination system and then elected at a shareholders' meeting from the nominee list of directors and supervisors</u> in accordance with Articles 198 and 227 of the Company Act, and all eligible for re-election. <u>The term of office of both directors and supervisors shall be three years.</u></p> <p>In accordance with Article 14-2 of the Securities and Exchange Act, at least two (2) of the above directors of the Company must be independent directors accounting for at least one-fifth (1/5) of the total number of directors. Independent directors are <u>elected at a shareholders' meeting from the nominee list of independent directors.</u> The professional qualifications, restrictions on shareholding and concurrent posts held, nomination and election methods, and other matters for compliance with respect to independent directors are governed by the applicable regulations of the competent securities authority.</p>	<p>The Company shall have nine (9) directors and three (3) supervisors, all to be elected at a shareholders' meeting from those who have disposing capacity (natural person, legal person or the representative appointed by the legal person as the case may be) in accordance with Articles 198 and 227 of the Company Act, and all eligible for re-election. <u>The term of office of both directors and supervisors shall be three years.</u></p> <p>In accordance with Article 14-2 of the Securities and Exchange Act, at least two (2) of the above directors of the Company must be independent directors accounting for at least one-fifth (1/5) of the total number of directors. Independent directors are elected according to the candidate nomination system as provided by Article 192-1 of the Company Act. The professional qualifications, restrictions on shareholding and concurrent posts held, nomination and election methods, and other matters for compliance with respect to independent directors are governed by the applicable regulations of the competent securities authority.</p> <p>The aggregate shareholding of all directors and supervisors is governed by the regulations of the</p>	Amended in accordance with applicable law

Article	After Amendment	Before Amendment	Remarks
	The aggregate shareholding of all directors and supervisors is governed by the regulations of the regulatory securities authority.	regulatory securities authority.	
21	<p>These Articles of Incorporation were established on June 1, 1992.</p> <p>The first amendment was made on December 23, 1993.</p> <p>.....</p> <p>The nineteenth amendment was made on June 18, 2012.</p> <p><u>The twentieth amendment was made on May 3, 2013.</u></p>	<p>These Articles of Incorporation were established on June 1, 1992.</p> <p>The first amendment was made on December 23, 1993.</p> <p>.....</p> <p>The eighteenth amendment was made on June 18, 2012.</p>	Current revision date is added.

## Appendix 7

### E INK HOLDINGS INC.

#### Comparison Table of the Draft Amendment to Rules of Election of Directors and Supervisors

Article	After Amendment	Before Amendment	Remarks
8	<p>The Directors and Supervisors of the Company shall be <u>nominated according to the candidate nomination system and then elected by the general meeting from the nominee list of Directors and Supervisors.</u></p> <p>The nominees in the number determined according to the Article of Incorporation, who receive the most votes, shall elected as the Directors or Supervisors.</p> <p><del>The Company has adopted the candidate system for the election of Independent Directors pursuant to the Company Act, and the election of Directors and Independent Directors shall be concurrently proceeded, with the number of electees calculated respectively.</del></p> <p>When anyone is simultaneously elected as a Director and a Supervisor, he or she shall determine which to be, and such vacancy therefrom shall be taken by the nominee who receives the second prevailing number of votes. If two or more nominees receive the same number of ballot cast and the remaining vacancy is insufficient, the Director or Supervisor elect shall be decided by lot. If any nominee is not present, the chairperson shall draw the lot on his or her behalf.</p>	<p>The Directors and Supervisors of the Company shall be elected by the general meeting from among the persons with legal capacity. The nominees in the number determined according to the Article of Incorporation, who receive the most votes, shall elected as the Directors or Supervisors.</p> <p>The Company has adopted the candidate system for the election of Independent Directors pursuant to the Company Act, and the election of Directors and Independent Directors shall be concurrently proceeded, with the number of electees calculated respectively.</p> <p>When anyone is simultaneously elected as a Director and a Supervisor, he or she shall determine which to be, and such vacancy therefrom shall be taken by the nominee who receives the second prevailing number of votes. If two or more nominees receive the same number of ballot cast and the remaining vacancy is insufficient, the Director or Supervisor elect shall be decided by lot. If any nominee is not present, the chairperson shall draw the lot on his or her behalf.</p>	<p>To facilitate electronic voting, and in accordance with the amendments to the Company's Directors and Supervisors Election Guidelines, the candidate nomination system is adopted.</p>

## Appendix 8

### E INK HOLDINGS INC.

#### Comparison Table of the Draft Amendment to Regulations of Loaning of Funds and Making of Endorsements/Guarantees

Article	After Amendment	Before Amendment	Remarks
2	<p>Authority</p> <p>These Regulations are promulgated pursuant to Article 36-1 of the Securities and Exchange Act ("Act") and relevant regulations under the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by the <del>Securities and Futures Bureau</del>, Financial Supervisory Commission, Executive Yuan ("FSCSFB").</p>	<p>Authority</p> <p>These Regulations are promulgated pursuant to Article 36-1 of the Securities and Exchange Act ("Act") and relevant regulations under the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan ("SFB").</p>	<p>The language is slightly revised according to the amendment to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".</p>
3	<p>The Company shall not grant loans to shareholders or any other person except the following:</p> <ol style="list-style-type: none"> <li>1. A company or business with business transactions with the Company, who does not have bad records such as bounced check, refused account, etc.</li> <li>2. A company or business between whom and the Company there are short-term financing needs; provided that the amount of loans shall not exceed forty percent of the Company's net worth. "Short-term" as referred to above shall mean one year or one operating cycle (whichever is longer). "Short-term financing</li> </ol>	<p>The Company shall not grant loans to shareholders or any other person except the following:</p> <ol style="list-style-type: none"> <li>1. A company or business with business transactions with the Company, who does not have bad records such as bounced check, refused account, etc.</li> <li>2. A company or business between whom and the Company there are short-term financing needs; provided that the amount of loans shall not exceed forty percent of the Company's net worth. "Short-term" as referred to above shall mean one year or one operating cycle (whichever is longer). "Short-term financing</li> </ol>	<p>According to the amendment to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", while granting of loans between a company's foreign subsidiaries of whom the company directly and indirectly holds one hundred percent of voting shares is not subject to the maximum of 40% of the net worth of the</p>



Article	After Amendment	Before Amendment	Remarks
	<p>needs " as referred to above shall mean the following:</p> <p>A. A subsidiary of the Company of which the Company directly or indirectly holds fifty percent or more of its shares having a business need for short-term financing;</p> <p>B. A company or business having short-term financing needs due to purchase of materials or operational needs; or</p> <p>C. Other situations where granting of loans is approved by the Board of the Company.</p> <p>The restriction under Subparagraph 2 of the preceding Paragraph shall not apply to granting of loans between the Company's foreign subsidiaries of whom the Company directly and indirectly holds one hundred percent of voting shares, <u>provided that the total amount of loans does not exceed 40% of the net worth of the Company, and the amount of an individual loan does not exceed 40% of the net worth of the Company, for a term of not more than three years or three business cycles, whichever is longer.</u></p>	<p>needs " as referred to above shall mean the following:</p> <p>A. A subsidiary of the Company of which the Company directly or indirectly holds fifty percent or more of its shares having a business need for short-term financing;</p> <p>B. A company or business having short-term financing needs due to purchase of materials or operational needs; or</p> <p>C. Other situations where granting of loans is approved by the Board of the Company.</p> <p>The restriction under Subparagraph 2 of the preceding Paragraph shall not apply to granting of loans between the Company's foreign subsidiaries of whom the Company directly and indirectly holds one hundred percent of voting shares.</p>	<p>company granting the loans or the maximum term of one year, as required for corporate governance, the maximum amount and term of loans should be specified.</p>
6	<p>Issues that should be noted when granting loans</p> <p>1. The loan agreement by the Company with a borrower shall be based on the seal as used in the registration of legal entity or group with the competent authority, and the financial department shall verify the seals and signatures of the borrower and its guarantor.</p>	<p>Issues that should be noted when granting loans</p> <p>1. The loan agreement by the Company with a borrower shall be based on the seal as used in the registration of legal entity or group with the competent authority, and the financial department shall verify the seals and signatures of the borrower and its guarantor.</p>	<p>The language is slightly revised according to the amendment to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".</p>

Article	After Amendment	Before Amendment	Remarks
	<p>2. After the completion of each loan, the financial department shall prepare the memorandum journal voucher of collateral or guarantee obtained, record the borrower, amount, date of Board approval, date of the grant of loan and the evaluation report prepared pursuant to Article 5 in the memorandum book, evaluate the status of loans and make adequate provision of reserve for bad debts <del>in accordance with generally accepted accounting principles</del>, and make appropriate disclosure of relevant information in the financial reports and provide the certifying accountants with relevant information.</p>	<p>2. After the completion of each loan, the financial department shall prepare the memorandum journal voucher of collateral or guarantee obtained, record the borrower, amount, date of Board approval, date of the grant of loan and the evaluation report prepared pursuant to Article 5 in the memorandum book, evaluate the status of loans and make adequate provision of reserve for bad debts in accordance with generally accepted accounting principles, and make appropriate disclosure of relevant information in the financial reports and provide the certifying accountants with relevant information.</p>	
12	<p>Procedures for Making Endorsements/Guarantees</p> <p>1. When the Company is to make endorsements/guarantees, the financial department shall item by item review the subject company's qualification and whether the amount conforms to these Regulations, and shall analyze the necessity and reasonableness of such endorsements/guarantees, evaluate the risk thereof and put it in record, and shall obtain collateral when necessary. After the contents, reason and risk evaluation of such endorsements/guarantees are clearly explained and approved by the Chairman, it shall be submitted to the Board for approval in order to proceed; provided that if the amount is within the</p>	<p>Procedures for Making Endorsements/Guarantees</p> <p>1. When the Company is to make endorsements/guarantees, the financial department shall item by item review the subject company's qualification and whether the amount conforms to these Regulations, and shall analyze the necessity and reasonableness of such endorsements/guarantees, evaluate the risk thereof and put it in record, and shall obtain collateral when necessary. After the contents, reason and risk evaluation of such endorsements/guarantees are clearly explained and approved by the Chairman, it shall be submitted to the Board for approval in order to proceed; provided that if the amount is within the</p>	<p>The language is slightly revised according to the amendment to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", and the calculation of paid-in capital in case that a subsidiary's shares have no par value or the par value is not NT\$10 is included.</p>

Article	After Amendment	Before Amendment	Remarks
	<p>authorized amount, the Chairman may approve it.</p> <p>2. When the Company is to make endorsements/guarantees, it shall prepare a memorandum book. After the Board approval or authorization by the Chairman, in addition to the application for sealing pursuant to the relevant Regulations, the matters of endorsement/guarantee, the name of the entity for which the endorsement/guarantee is made, result of risk evaluation, the amount, content of the collateral, terms and date for discharge of liability, etc. shall be recorded in detail for reference.</p> <p>3. The financial department shall prepare a breakdown list for the guaranteed matters that occurred or terminated in each month in order to keep trace and control, and shall, <del>in accordance with Statement of Financial Accounting No. 9,</del> evaluate or identify loss contingencies of the endorsements/guarantees and disclose information relevant to the endorsements/guarantees as appropriate in the financial statement.</p> <p>4. When the Company or its subsidiary is to make endorsements/guarantees for a subsidiary whose net worth is lower than half of its paid-in capital, in addition to following the preceding three Paragraphs, the financial department of</p>	<p>authorized amount, the Chairman may approve it.</p> <p>2. When the Company is to make endorsements/guarantees, it shall prepare a memorandum book. After the Board approval or authorization by the Chairman, in addition to the application for sealing pursuant to the relevant Regulations, the matters of endorsement/guarantee, the name of the entity for which the endorsement/guarantee is made, result of risk evaluation, the amount, content of the collateral, terms and date for discharge of liability, etc. shall be recorded in detail for reference.</p> <p>3. The financial department shall prepare a breakdown list for the guaranteed matters that occurred or terminated in each month in order to keep trace and control, and shall, in accordance with Statement of Financial Accounting No. 9, evaluate or identify loss contingencies of the endorsements/guarantees and disclose information relevant to the endorsements/guarantees as appropriate in the financial statement.</p> <p>4. When the Company or its subsidiary is to make endorsements/guarantees for a subsidiary whose net worth is lower than half of its paid-in capital, in addition to following the preceding three Paragraphs, the financial department of</p>	

Article	After Amendment	Before Amendment	Remarks
	<p>the Company or its subsidiary shall quarterly evaluate the financial and business conditions of the subject of such endorsements/guarantees and, if it is evaluated that a material credit risk is likely to occur, shall immediately report to the Board in writing. <u>If the shares of the subsidiary has no par value or the par value is not NT\$10 per share, the paid-in capital shall be the sum of capital plus the sum of additional paid-in capital - share premium.</u></p>	<p>the Company or its subsidiary shall quarterly evaluate the financial and business conditions of the subject of such endorsements/guarantees and, if it is evaluated that a material credit risk is likely to occur, shall immediately report to the Board in writing.</p>	
15	<p>Procedures for public disclosure of information:</p> <ol style="list-style-type: none"> <li>1. The Company shall, prior to the tenth day of each month, publicly disclose the Company's and its subsidiaries' balance of granted loans and endorsements/guarantees for the previous month at the <u>information reporting</u> website designated by the FSCSFB.</li> <li>2. Where the balance of granted loans reaches one of the following thresholds, the Company shall publicly disclose relevant information within two days from the day of occurrence of such event at the <u>information reporting</u> website designated by the FSCSFB using the prescribed format based on the nature: <ol style="list-style-type: none"> <li>A. The balance of the granted loans of the Company and its subsidiaries reaches twenty percent or more of the Company's net worth in its most recent financial</li> </ol> </li> </ol>	<p>Procedures for public disclosure of information:</p> <ol style="list-style-type: none"> <li>1. The Company shall, prior to the tenth day of each month, publicly disclose the Company's and its subsidiaries' balance of granted loans and endorsements/guarantees for the previous month at the website designated by the SFB.</li> <li>2. Where the balance of granted loans reaches one of the following thresholds, the Company shall publicly disclose relevant information within two days from the day of occurrence of such event at the website designated by the SFB using the prescribed format based on the nature: <ol style="list-style-type: none"> <li>A. The balance of the granted loans of the Company and its subsidiaries reaches twenty percent or more of the Company's net worth in its most recent financial statement.</li> <li>B. The balance of the granted loans of the</li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>1. The language is slightly revised according to the amendment to the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies".</li> <li>2. The definition of parent company and subsidiary and the regulation for determination of net worth are added according to the amendment to the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public</li> </ol>

Article	After Amendment	Before Amendment	Remarks
	<p>statement.</p> <p>B. The balance of the granted loans of the Company and its subsidiaries in respect of a single business reaches ten percent or more of the Company's net worth in its most recent financial statement.</p> <p>C. The amount of the newly granted loan of the Company or its subsidiaries exceeds NT\$10,000,000 and has reached two percent or more of the Company's net worth in its most recent financial statement.</p> <p>3. Where the balance of endorsements/guarantees reaches one of the following thresholds, the Company shall publicly disclose relevant information within two days from the day of occurrence of such event at the <u>information reporting</u> website designated by the <del>FSCSFB</del> using the prescribed format based on the nature:</p> <p>A. The balance of endorsements/guarantees of the Company and its subsidiaries reaches fifty percent or more of the Company's net worth in its most recent financial statement.</p> <p>B. The balance of endorsements/guarantees of the Company and its subsidiaries in respect of a single business reaches twenty percent or more of the Company's net worth in its most recent financial statement.</p> <p>C. The balance of endorsements/guarantees</p>	<p>Company and its subsidiaries in respect of a single business reaches ten percent or more of the Company's net worth in its most recent financial statement.</p> <p>C. The amount of the newly granted loan of the Company or its subsidiaries exceeds NT\$10,000,000 and has reached two percent or more of the Company's net worth in its most recent financial statement.</p> <p>3. Where the balance of endorsements/guarantees reaches one of the following thresholds, the Company shall publicly disclose relevant information within two days from the day of occurrence of such event at the website designated by the SFB using the prescribed format based on the nature:</p> <p>A. The balance of endorsements/guarantees of the Company and its subsidiaries reaches fifty percent or more of the Company's net worth in its most recent financial statement.</p> <p>B. The balance of endorsements/guarantees of the Company and its subsidiaries in respect of a single business reaches twenty percent or more of the Company's net worth in its most recent financial statement.</p> <p>C. The balance of endorsements/guarantees of the Company and its subsidiaries in respect of a single business exceeds</p>	<p>Companies".</p> <p>3. The definition of the day of occurrence of an event is added according to the amendment to the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies".</p>

Article	After Amendment	Before Amendment	Remarks
	<p>of the Company and its subsidiaries in respect of a single business exceeds NT\$10,000,000 and the total amount of endorsements/guarantees, <del>long-term</del> investment and loan <u>of a long-term nature</u> in respect of the business reaches thirty percent of the Company's net worth in the most recent financial statement.</p> <p>D. The amount of the new endorsements/guarantees by the Company or its subsidiaries exceeds NT\$30,000,000 and has reached five percent or more of the Company's net worth in its most recent financial statement.</p> <p>4. If any subsidiary of the Company is not a public company in the Republic of China, the Company shall make the appropriate disclosure if such subsidiary meets the threshold under Subparagraph 3 of Paragraph 2 or Subparagraph 4 of Paragraph 3 above.</p> <p><u>The subsidiary and parent company herein shall be defined according to the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers;</u></p> <p><u>The net worth herein shall mean the equity ownership belonging to the parent company in the balance sheet according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers;</u></p>	<p>NT\$10,000,000 and the total amount of endorsements/guarantees, long-term investment and loan in respect of the business reaches thirty percent of the Company's net worth in the most recent financial statement.</p> <p>D. The amount of the new endorsements/guarantees by the Company or its subsidiaries exceeds NT\$30,000,000 and has reached five percent or more of the Company's net worth in its most recent financial statement.</p> <p>4. If any subsidiary of the Company is not a public company in the Republic of China, the Company shall make the appropriate disclosure if such subsidiary meets the threshold under Subparagraph 3 of Paragraph 2 or Subparagraph 4 of Paragraph 3 above.</p>	

Article	After Amendment	Before Amendment	Remarks
	<u>The day of occurrence of an event herein shall mean the date of signing of a transaction contract, payment date, date of Board resolution, or any other date when the trading counterpart and amount of transaction can be sufficiently confirmed, whichever is earlier.</u>		

## Appendix 9

### E Ink Holdings Inc.

#### List of Subscribers of Common Stock in Private Placement and Relevant Matters Required to Be Disclosed

- (1) For subscribers who are insiders or related parties of the Company, list of relevant subscribers, how and why they are elected, and their relationship with the Company:

Subscriber	How and Why They are Elected	Relationship with the Company
YFY Inc.	This entity is well acquainted with the Company's operation.	The Company's insider
Yuen Foong Yu Paper Mfg. Co., Ltd.	This entity is well acquainted with the Company's operation.	The Company's insider
Shin Foong Chemical Industry Co., Ltd.	This entity is well acquainted with the Company's operation.	The Company's related party
Chung Hwa Pulp Corporation	This entity is well acquainted with the Company's operation.	The Company's related party
SinoPac Securities Co., Ltd.	This entity is well acquainted with the Company's operation.	The Company's related party
SinoPac Venture Capital Co., Ltd.	This entity is well acquainted with the Company's operation.	The Company's related party
Show Chung Ho	This person is well acquainted with the Company's operation.	The Company's insider

- (2) For subscribers who are legal entities, the matters to be disclosed:

Subscriber that is a Legal Entity	Name of Top 10 Shareholders	Shareholding	Relationship with the Company
YFY Inc.	Show Chung Ho	11.30%	Representative of the Company's corporate director
	Shin-Yi Foundation	5.66%	N/A
	Shi-Yi Enterprise Co., Ltd.	4.69%	N/A
	Zheng-Ting Ho	3.38%	N/A
	Jian-Ting Ho	2.83%	N/A
	Workers' Retirement Fund Supervision Commission of YFY Inc.	2.79%	N/A
	Mei-Yi Ho	2.68%	N/A
	Rong-Ting Ho	2.30%	N/A
	Min-Ting Ho	2.07%	N/A



Subscriber that is a Legal Entity	Name of Top 10 Shareholders	Shareholding	Relationship with the Company
	Yao Cheng Enterprise Co., Ltd.	1.92%	N/A
Yuen Foong Yu Paper Mfg. Co., Ltd.	Shin-Yi Enterprise Co., Ltd.	27.39%	N/A
	Show Chung Ho	24.29%	Representative of the Company's corporate director
	Yu Hai Investment Co., Ltd.	9.69%	N/A
	Ju Hai Investment Co., Ltd.	5.81%	N/A
	Hsinex International Corp.	4.45%	N/A
	Mei-Yu Ho	3.59%	N/A
	Mei Hsien Ho	3.59%	N/A
	Mei Chuang Ho	3.59%	N/A
	Mei Chin Ho	3.59%	N/A
	Cai Hui-Xing Ho	3.18%	N/A
Shin Foong Chemical Industry Co., Ltd.	YFY Inc.	56.7%	Corporate director of the Company
	Hua-Qi Lian	5.4%	N/A
	Bo-Yuan Hong	5.4%	N/A
	Mei Chin Ho	5.4%	N/A
	Sing Ju Chang	5.4%	Spouse of the representative of the Company's corporate director
	Show Chung Ho	5.4%	Representative of the Company's corporate director
	Yu Hai Investment Co., Ltd.	4.7%	N/A
	Mei-Yu Ho	3.7%	N/A
	HOSS Capital Inc.	1.9%	N/A
	HOSS Investment Inc.	1.9%	N/A
Chung Hwa Pulp Corporation	YFY Inc.	55.43%	Corporate director of the Company
	Shin-Yi Enterprise Co., Ltd.	4.43%	N/A
	Hsin Yi Recreation Enterprise Co., Ltd.	2.15%	N/A
	Shin-Yi Investment Co., Ltd.	1.86%	N/A
	Chian Life Insurance Co., Ltd.	1.23%	N/A
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Aquila Emerging Markets Fund	0.78%	N/A
	Dimensional Emerging Markets Value Fund	0.72%	N/A
	Yuen Shin Yi Enterprise Co., Ltd.	0.64%	N/A

Subscriber that is a Legal Entity	Name of Top 10 Shareholders	Shareholding	Relationship with the Company
	Cooperative Paris Pioneer Fund Account	0.54%	N/A
	YFY Paradigm Investment Co., Ltd.	0.40%	N/A
SinoPac Securities Co., Ltd.	SinoPac Holdings Co., Ltd.	100%	N/A
SinoPac Venture Capital Co., Ltd.	SinoPac Holdings Co., Ltd.	100%	N/A

## Appendix 10

### E INK HOLDINGS INC. RULES OF BOARD OF DIRECTORS MEETING

Approved by the Board of Directors at the 15th Board meeting  
for the EIGHTH Term on January 24, 2013

- Article 1 In order to establish the superior governing system of the Board of Directors (the "Board"), integrate supervising capacity and strengthen management function of the Company, these rules are established in accordance with Article 2 of "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" for compliance therewith.
- Article 2 The main agenda items, administrative procedures, required content of meeting minutes, public announcements, and other requirements shall be handled in accordance with these Rules.
- Article 3 The Board meeting shall be convened at least once per quarter.  
The notice of Board meeting shall be delivered to each Director and Supervisor at least seven days before the meeting; while in case of emergency, the meeting may be convened anytime.  
Subject to the consent of the recipient, the meeting notice in the preceding paragraph may be sent electronically.  
All matters listed in Paragraph 1 of Article 7 shall be specified in the notice of Board meeting; none of such matters may be raised by a motion of any other business except in the case of emergency or any other legitimate causes.
- Article 4 A Board meeting shall be held at the Company's location during the business hours of the Company, or at a place and time convenient to all Directors and suitable for holding such a meeting.
- Article 5 The meeting administration unit for Board meetings appointed by the Board of the Company shall be the Legal Affairs Division.  
The meeting administration unit shall prepare agenda items for Board meetings, provide comprehensive meeting materials, and send the materials together with the notice of the meeting.  
A Director in the opinion that the meeting materials provided are insufficiently comprehensive may request the meeting administration unit for supplement. The Board of Directors may postpone any agenda item by resolution if any Director is in the opinion that the meeting materials of such agenda item are insufficient.
- Article 6 Agenda items for regular Board meetings of the Company shall include at least the following:
1. Report Items:
    - (1) Minutes of the last meeting and relevant action items.
    - (2) Report on important financial and business matters.
    - (3) Report on internal auditing activities.
    - (4) Report on other important matters.
  2. Discussion Items:
    - (1) Items suspended by the last meeting.

(2) Items for discussion at this meeting.

3. Any Other Business

Article 7 The following matters shall be submitted for discussion at the Board meeting:

1. The Company's business plan.
2. Annual and semi-annual financial reports; unless the law provides that semi-annual financial reports do not require audit and certification by CPA.
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
4. Adoption of amendment of procedures for acquisition or disposal of assets, derivatives trading, monetary lending, endorsement or guarantee, or any other financial or business acts of significance under Article 36-1 of the Securities and Exchange Act.
5. The offering, issuance, or private placement of any equity-like securities.
6. The appointment or discharge of a financial, accounting, or internal auditing officer.
7. Donations to related parties or significant donations to non-related parties; provided that pro bono donations as disaster relief in the event of major natural disasters may be retrospectively recognized at the next Board meeting.
8. Any matter required by Article 14-3 of the Securities and Exchange Act or any other statute, regulation, or the Company's Articles of Incorporation to be approved by the general meeting or Board meeting, or any other significant matter prescribed by the competent authority.

For purpose of Paragraph (7) above, a related party means the related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers; significant donations to non-related parties means the amount of a donation or accumulated amount of donations to the same party in a year is above NT\$100,000,000, or at 1% or above of the net business income or 5% or above of the paid-in capital stated in the CPA certified financial report for the most recent year.

The one year in the preceding paragraph means the one-year period ending on the date of the Board meeting. Amount of donations approved upon resolution of the Board meeting will not count toward the limit.

During the period that the Company has Independent Directors, each Independent Director shall attend in person any meeting concerning a matter that requires a resolution by the Board under Article 14-3 of the Securities and Exchange Act, or shall appoint another Independent Director to attend on his or her behalf. If an Independent Director objects to or expresses reservations about the matter, it shall be recorded in the Board meeting minutes; an Independent Director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.

Article 8 When a Board meeting is held, an attendance sheet shall be prepared ready for signature by attending Directors and thereafter kept for filing.

All Board directors shall attend Board meetings in person. If personal attendance of any Director is not possible, he or she may, pursuant to the Company's Articles of Incorporation, appoint another Director to attend on his or her behalf. Attendance via video-conference is deemed as attendance in person.

A Director appointing another Director to attend a Board meeting on his or her behalf shall in each case issue a written proxy stating the scope of authority with respect to the

agenda items.

A proxy under paragraph 2 herein may accept one Director's appointment only.

- Article 9 Board meetings shall be convened and chaired by the Chairman of the Board. However, the first meeting of each new term of Board shall be convened and chaired by the Director who received the most votes at the general meeting. If two or more Directors have the power to convene such meeting, the chairperson of the meeting shall be elected from among the Directors by themselves.

When the Chairman of the Board asks for leave, or for any other reason is unable to exercise his or her powers, he or she shall appoint another Director to act on his or her behalf; if the Chairman makes no such designation, the other Directors shall elect from among themselves a Director to act on the Chairman's behalf.

- Article 10 At any Board meeting, the Company may, if necessary for the agenda items, notify persons from relevant departments or subsidiaries to attend the meeting as non-voting participants. When necessary, the Company may also invite certificated public accountants, attorneys, or other professionals to attend as non-voting participants and provide explanations, who, however, must excuse themselves from the discussion and voting thereon.

- Article 11 The Company shall record on audio or video tape the entire proceedings of a Board meeting, and preserve the recordings for at least five years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a Board meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.

Where a Board meeting is held via video conferencing, the audio or visual record of the meeting form a part of the meeting minutes and shall be well preserved during the existence of the Company.

- Article 12 If more than one-half of the Directors are present when the meeting time is due, the chairperson shall call meeting to order. In case one-half or more of the Directors are still absent when the meeting time is due, the chairperson may announce postponement of the meeting time, provided that no more than two postponements may be made, and the aggregate period of postponement cannot exceed one hour. If the quorum is still not met after two postponements, the chairperson shall re-convene the meeting following the procedures provided in Paragraph 2 of Article 3.

The term "the Directors" for calculation under the preceding paragraph and Subparagraph 2 of Paragraph 2 of Article 17 refers to the Directors actually in office at the specific time.

- Article 13 A Board meeting shall be conducted in accordance with the agenda specified in the meeting notice. However, the agenda may be changed with the approval of a majority of the attending Directors.

The chairperson may not declare the meeting adjourned before completing the agenda specified in the preceding paragraph, unless a majority of the attending Directors approves otherwise.

If at any time during a Board meeting the Directors actually sitting at the meeting are not more than half of the attending Directors, then upon motion by the Directors sitting at the meeting, the chairperson shall declare a suspension of meeting, in which case the paragraph 1 of preceding article shall apply mutatis mutandis.

- Article 14 When the chairperson is in the opinion that an agenda item has been sufficiently discussed for vote, he or she may announce the discussion closed and bring the item to vote.

In the voting process, if the chairperson seeks comments from the attending Directors and no objection is received, the agenda item is deemed approved.

Article 15 Except as otherwise stipulated in the Security Exchange Act or the Company Act, a resolution on any agenda item at a Board meeting shall be made by a majority of the attending Directors, who shall be no less than all of the Directors.

The method of voting on agenda items shall be chosen by the chairperson according to any of the following subparagraphs; if, however, there is any objection by any attending Director, the chairperson shall determine the method of voting in accordance with the majority opinion of the attending Directors:

1. to vote by show of hands;
2. to vote by roll call; or
3. to vote by ballot.

If there is any amendment or alternative scheme for an agenda item, the chairperson may incorporate it into the original proposal and determine the order of vote. However, in case any of them has been resolved, others are regarded as rejected and further voting shall be cancelled.

The personnel for balloting scrutiny and vote counting, if any, shall be appointed by the chairperson, provided that only a Director is qualified to be the ballot scrutinizing personnel.

The voting result shall be reported on the spot and made into records.

Article 16 If any Director, or the legal entity he or she represents, has conflict of interest regarding any agenda item, the Director shall describe the important details about the conflict of interest at the same Board meeting, and if the Company's interests may be prejudiced, the Director shall excuse himself or herself from the discussion and voting thereon. The conflicting Director also may not vote on behalf of any other Director for the agenda item.

With respect to a resolution at a Board meeting, Paragraph 2 of Article 180 of the Company Act, as applied mutatis mutandis under Paragraph 2 of Article 206 of the Act, shall apply in cases where a Director is prohibited by the preceding paragraph from voting.

Article 17 Minutes shall be prepared of the discussions at Board meetings. Meeting minutes shall accurately record the following:

1. Session, time, and place of meeting.
2. Name of the chairperson.
3. Attendance status of Directors at the meeting, including the names and number of Directors present, on leave, and absent.
4. Names and titles of those attending the meeting as nonvoting participants.
5. Name of minutes taker.
6. Report Items.
7. Discussion items: specifying the resolution method and result for each proposal, and summary of the comments, name of Director having conflict of interest as provided in Paragraph 1 of the preceding article, description of major details about the conflict of interest, reasons why he or she should or should not excuse himself or herself, status of excuse, objections or reservations expressed by Directors, Supervisors, experts, and others at the meeting that have been included in records or stated in writing, and any opinion issued in writing by an Independent Director under Paragraph 5 of Article 7.

8. Any other business: specifying the name of the mover, the resolution method and result for each motion, summary of comments, name of Director having conflict of interest as provided in Paragraph 1 of the preceding article, description of major details about the conflict of interest, reasons why he or she should or should not excuse himself or herself, status of excuse, and objections or reservations expressed by, Directors, Supervisors, experts, or others at the meeting that have been included in records or stated in writing.
9. Other matters required to be recorded.

Any of the following matters in relation to a resolution passed at a Board meeting shall be stated in the meeting minutes and within two days of the meeting be published on an information reporting website designated by the competent authority:

1. Any matter about which an Independent Director expresses an objection or reservation that has been included in records or stated in writing.
2. Any matter that has not been passed by the audit committee (where the Company has established an audit committee), but has been adopted with the approval of two-thirds or more of the Directors.

The attendance book forms a part of the minutes for each Board meeting and shall be well preserved during the existence of the Company.

The minutes of a Board meeting shall bear the signature or seal of both the chairperson and the minutes taker; a copy of the minute shall be distributed to each Director and Supervisor within 20 days after the meeting and well preserved as important company records during the existence of the Company.

The production and distribution of the meeting minutes referred to in paragraph 1 herein may be done in electronic form.

Article 18 Establishment of and amendment to these Rules shall be subject to consent of the Board and adoption by the shareholders at a general meeting.

## Appendix 11

### E INK HOLDINGS INC. ARTICLES OF INCORPORATION

#### Chapter I General Provisions

- Article 1 The Company is organized as a company limited by shares in accordance with the Company Act under the name of 元太科技工業股份有限公司 and the English name of E INK HOLDINGS INC.
- Article 2 The scope of business of the Company shall be as follows:  
(1) CC01080 Electronic Parts and Components Manufacturing  
(2) F401010 International Trade Business  
Researching, developing, producing, manufacturing and marketing the following products:  
(i) TFT-LCD  
(ii) TFT-LCD TV, various kinds of monitoring systems and all kinds of parts and components of the aforementioned systems (limited to the operation by the branch offices outside the territory of the Republic of China ("ROC"))  
To concurrently operate the import and export business involving the related business of the Company.
- Article 3 The Company may externally act in capacity of a guarantee.  
The aggregate amount of investment by the Company shall not be restricted to forty percent (40%) of its paid-in capital.
- Article 4 The head office of the Company is located in Science-based Industrial Park, Hsinchu and the Company may, where necessary, establish branch offices within or outside the territory of ROC subject to the resolution of the board of directors and approval of the competent authority.

#### Chapter II Shares

- Article 5 The authorized capital of the Company shall be Twenty Billion New Taiwan Dollars (NT\$20,000,000,000), divided into Two Billion (2,000,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) per share.  
The board of directors is authorized to issue shares not yet issued by installments.  
The Company shall reserve One Billion and Four Hundred Million New Taiwan Dollars (NT\$1,400,000,000), divided into One Hundred and Forty Million (140,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) per share, for issue of warrants for its employees (the "**Employee Warrants**"). The board of directors is authorized to issue Employee Warrants by installments.
- Article 5-1 The Company may issue the Employee Warrant with a subscribing price lower than the market price provided that the Employee Warrant shall not be issued until the



- shareholders' meeting so resolved in accordance with Articles 56-1 and 76 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.
- Article 5-2 The Company may transfer its shares to its employees at a price lower than the average price for buying back the Company's shares provided that such transfer shall not be effected until it is approved by the then adjacent shareholders' meeting and in accordance with Articles 10-1 and 13 of the Regulations Governing the Share Buy-back by Companies Listed on the Taiwan Stock Exchange ("TSE") or GreTai Securities Market ("GTSM").
- Article 6 The share certificates of the Company shall bear the shareholders' names, be signed or sealed by three or more directors, and legalized in accordance with laws before they are issued and then registered with the securities central depository institution.
- Article 7 Any affair with regard to the shares of the Company shall be handled in accordance with the Guidelines for Handling Stock Affairs by a Public Issuing Company promulgated by the competent authority.

### **Chapter III Shareholders' Meeting**

- Article 8 No change of entries in the shareholder roster shall be permitted within sixty (60) days prior to a general shareholders' meeting, thirty (30) days prior to an extraordinary shareholders' meeting, or within five (5) days prior to the record date fixed by the Company for the distribution of dividends, bonuses, or other benefits.
- Article 9 Shareholders' meetings shall be of two types: general shareholders' meeting and extraordinary shareholders' meeting. A general shareholders' meeting shall be convened at least once every year and shall be convened by the board of directors according to law within six (6) months after the close of each fiscal year. An extraordinary shareholders' meeting shall be convened according to law at such time as may be deemed necessary. The proceeding of the shareholder's meeting of the Company shall be conducted in accordance with the "Rules for Proceedings of Shareholders' Meeting" of the Company.
- The general shareholders' meeting shall be convened thirty (30) days prior to the meeting; while extraordinary shareholders' meeting shall be convened by giving a fifteen (15)-day prior notice, of which the purpose of the meeting shall be specified on the notice, to the shareholders.
- Article 10 In case a shareholder is unable to attend a shareholders' meeting, he may issue a proxy document printed by the Company stating the powers vested in the proxy, and sign or seal such document to designate a proxy to attend the meeting on his behalf. Use of proxy documents is governed by Article 177 of the Company Act and the Rules Governing Attendance of a Public Company's Shareholders' Meeting by Proxy as enacted by the competent authority.
- Article 11 Each shareholder of the Company will have one vote for each share held, save in the circumstance described in Article 179 and Article 197-1 of the Company Act where shares have no voting power.
- Article 12 Unless otherwise provided by the Company Act, a resolution of the shareholders' meeting shall be adopted by a majority vote of shareholders present at the meeting

whose aggregate shares account for the majority of the total issued shares of the Company.

#### **Chapter IV Directors and Supervisors**

Article 13 The Company shall have nine (9) directors and three (3) supervisors, all to be elected at a shareholders' meeting from those who have disposing capacity (natural person, legal person or the representative appointed by the legal person as the case may be) in accordance with Articles 198 and 227 of the Company Act, and all eligible for re-election. The term of office of both directors and supervisors shall be three years.

In accordance with Article 14-2 of the Securities and Exchange Act, at least two (2) of the above directors of the Company must be independent directors accounting for at least one-fifth (1/5) of the total number of directors. Independent directors are elected according to the candidate nomination system as provided by Article 192-1 of the Company Act. The professional qualifications, restrictions on shareholding and concurrent posts held, nomination and election methods, and other matters for compliance with respect to independent directors are governed by the applicable regulations of the competent securities authority.

Article 14 The aggregate shareholding of all directors and supervisors is governed by the regulations of the regulatory securities authority. The board of directors will be organized by the directors. Directors will duly elect one from among themselves as the chairman and may elect another as the vice chairman of the board of directors with the approval of a majority of the directors present at a meeting attended by two-thirds (2/3) of all the directors. The chairman of the board of directors will carry out all businesses of the Company on behalf of the Company. If the chairman is on leave of absence or unable to exercise his authority for whatever reason, the vice chairman will act in his stead. If no vice chairman is elected or no agent is designated to act on behalf of the chairman, the directors will elect one from among themselves to act on behalf of the chairman.

Article 15 The meeting of the board of directors shall be convened at least once per quarter, but extraordinary meeting of the board of directors shall be convened when necessary. In the event a director cannot attend a meeting for any cause whatsoever, he may issue a proxy document stating the powers vested in the proxy in connection with the purpose of the meeting to designate a proxy to attend the meeting on his behalf.

A director may not act as proxy for more than one absent director.

The reasons for convening a Board meeting shall be notified to each director and supervisor at least seven days in advance of such meeting. In case of emergency, the meeting may be convened anytime. The notice may be made by fax or email to serve each director and supervisor.

The proceeding of the meeting of the board of directors shall be conducted in accordance with the "Rules of Board of Directors Meeting" of the Company.

Article 16 Regardless of surplus or deficit of the Company, each Directors or Supervisors is entitled to the remuneration determined by the Board of Directors, taking into

consideration of the participation and contribution devoted by the Directors and Supervisors to the Company as well as the general standard of other companies in the same industry. Where the Company has surplus earnings, a special remuneration to the Directors and Supervisors shall be paid pursuant to Article 19.

Article 16-1 The Company may purchase liability insurance policies for the Directors, Supervisors and Officers covering their duties during their terms.

### **Chapter V Managerial Officers**

Article 17 The Company may have managerial officers. The title, appointment, discharge of and remuneration to the managerial officers are governed by the Company Act.

### **Chapter VI Accounting**

Article 18 The fiscal year of the Company begins from January 1<sup>st</sup> and ends on December 31<sup>st</sup> of each year. At the end of each fiscal year, the board of directors shall prepare (1) a report of operations, (2) financial statements, and (3) proposals for the distribution of profit or the making up of losses, etc., thirty (30) days prior to the convention of the shareholders' meeting for supervisors' review and examination, and present the same at the general shareholders' meeting for adoption.

Article 19 The Company is in the emerging technology business. For purpose of continuing operation, the Company adopts the residual dividend policy to comply with its long-term financial plan.

Out of the profit of the Company upon annual closing of books, after having provided for taxes and covered the losses of previous years, there shall first be duly set aside a legal reserve of 10% and set aside or withdraw a special reserve pursuant to the applicable laws and regulations. The balance, if any, upon the assessment of the capital need for the upcoming year by the Board of Directors in accordance with the future capital budget plan, shall first be allocated as part of the funds required for financing the retained earnings, and at least fifty (50) percent of the remaining balance shall be allocated for distribution pursuant to the following order:

1. The dividends distributed to the shareholders shall not exceed one percent (1%) per annum.
2. The remaining balance shall be distributed as the employee bonuses, remuneration for Directors and Supervisors and the shareholder bonuses. Among those, employee bonuses shall be at least one percent (1%) but shall not be more than ten percent (10%), and remuneration for Directors and Supervisors shall not be higher than one percent (1%).

The distribution of retained earning provided in the preceding paragraph may be done together with the cumulative unappropriated retained earning of the preceding years.

The distribution of shareholder bonuses and dividends may be in cash or shares, provided cash dividends shall not be lower than 10% of the total dividends.

The rules of distribution of employee bonuses shall be stipulated by the Board of

Directors; in respect of share dividends, the distributees may include certain employees of a subsidiary.

Where the total legal reserve set aside according to paragraph 2 amounts to the paid-in capital, the Company may stop setting aside the legal reserve.

Each year's profit distribution proposal should be approved by the board of directors and passed by shareholders' meeting.

## **Chapter VII Supplementary Provisions**

Article 20 Issues not addressed by these Articles of Incorporation are governed by the Company Act.

Article 21 These Articles of Incorporation were established on June 1, 1992.

The first amendment was made on December 23, 1993.

The second amendment was made on May 31, 1994.

The third amendment was made on April 12, 1995.

The fourth amendment was made on November 19, 1996.

The fifth amendment was made on April 12, 1997.

The sixth amendment was made on June 2, 1998.

The seventh amendment was made on July 28, 1999.

The eighth amendment was made on May 12, 2000.

The ninth amendment was made on November 2, 2001.

The tenth amendment was made on June 20, 2002.

The eleventh amendment was made on June 24, 2003.

The twelfth amendment was made on June 21, 2004.

The thirteenth amendment was made on June 30, 2006.

The fourteenth amendment was made on June 15, 2007.

The fifteenth amendment was made on June 19, 2009.

The sixteenth amendment was made on November 18, 2009.

The seventeenth amendment was made on June 18, 2010.

The eighteenth amendment was made on June 24, 2011.

The nineteenth amendment was made on June 18, 2012.

Felix Ho, Vice Chairman  
E INK Holdings Inc.

## Appendix 12

### E INK HOLDINGS INC.

#### Rules of Election of Directors and Supervisor

- Article 1 The election of directors and supervisors of the Company shall be carried out in compliance with these rules, unless otherwise provided by statutes, regulations or the Company's Article of Incorporation.
- Article 2 For the election of Directors and Supervisors, each share has votes in the amount of the number of Directors or Supervisors to be elected, and the votes may be casted for one or more nominees.
- Article 3 The Board of Directors shall prepare the form of vote for the election of Directors and Supervisors of the Company with the numbers of votes filled therein, and dispatch the form to each attending shareholder.
- Article 4 Before the election, the chairperson shall appoint several scrutineers and vote counters for relevant works.
- Article 5 The Board of Directors shall prepare ballot boxes for the election of directors and supervisors respectively, which shall be examined in public by the scrutineers before the election.
- Article 6 In the event that the nominee is also a shareholder, the voter shall fill the name and number of the nominee's shareholder ID in the "candidate" blank of the voting form; while in the event that the nominee is not a shareholder, the voter shall fill the name and citizen ID number of the nominee therein. In the event that the nominee is a governmental body or other legal entity, the voter shall fill therein the name of the governmental body or the legal entity (or together with the name of the representatives thereof). If there are several representatives, their names shall be filled in the voting form respectively.
- Article 7 The voting form is invalid if:
1. it is not provided according to these Rules;
  2. it is blank when being put into the ballot box;
  3. the handwriting is crabbed or altered;
  4. in the event that the nominee is a shareholder, the name or the shareholder ID number filled therein is inconsistent with those registered in the shareholder list; or in the event that the nominee is not a shareholder, the name or citizen ID number filled therein is inconsistent with those registered in the authority;
  5. any script other than the names or number of the nominees' citizen ID (or shareholder ID) or the respective votes is written thereon;
  6. the names or number of the nominees' citizen ID (or shareholder ID) is not filled therein; or

7. two or more nominees are filled in the voting form.

Article 8 The Directors and Supervisors of the Company shall be elected by the general meeting from among the persons with legal capacity. The nominees in the number determined according to the Article of Incorporation, who receive the most votes, shall be elected as the Directors or Supervisors.

The Company has adopted the candidate system for the election of Independent Directors pursuant to the Company Act, and the election of Directors and Independent Directors shall be concurrently proceeded, with the number of electees calculated respectively.

When anyone is simultaneously elected as a Director and a Supervisor, he or she shall determine which to be, and such vacancy therefrom shall be taken by the nominee who receives the second prevailing number of votes. If two or more nominees receive the same number of ballot cast and the remaining vacancy is insufficient, the Director or Supervisor elect shall be decided by lot. If any nominee is not present, the chairperson shall draw the lot on his or her behalf.

Article 9 The ballot shall be counted immediately and the chairperson shall announce the results right on the spot.

Article 10 The Board of the Company shall issue a certificate to the Directors and Supervisors elect respectively.

Article 11 The Company Act, the Articles of Incorporation and the related regulations promulgated by the governmental bodies will apply if these rules contained herein are insufficient.

Article 12 Establishment of and amendment to these rules shall be subject to the adoption by the general meeting.

## Appendix 13

### E INK HOLDINGS INC.

#### Regulations of Loaning of Funds and Making of Endorsements/Guarantees

Article 1 Purpose

These Regulations are promulgated in order to enhance the financial management for granting loans and making endorsements/guarantees and lower operational risks.

Article 2 Authority

These Regulations are promulgated pursuant to Article 36-1 of the Securities and Exchange Act ("Act") and relevant regulations under the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan ("SFB").

Article 3 The Company shall not grant loans to shareholders or any other person except the following:

1. A company or business with business transactions with the Company, who does not have bad records such as bounced check, refused account, etc.
2. A company or business between whom and the Company there are short-term financing needs; provided that the amount of loans shall not exceed forty percent of the Company's net worth. "Short-term" as referred to above shall mean one year or one operating cycle (whichever is longer). "Short-term financing needs" as referred to above shall mean the following:
  - A. A subsidiary of the Company of which the Company directly or indirectly holds fifty percent or more of its shares having a business need for short-term financing;
  - B. A company or business having short-term financing needs due to purchase of materials or operational needs; or
  - C. Other situations where granting of loans is approved by the Board of the Company.

The restriction under Subparagraph 2 of the preceding Paragraph shall not apply to granting of loans between the Company's foreign subsidiaries of whom the Company directly and indirectly holds one hundred percent of voting shares.

Article 4 The total amount of loans granted to others by the Company shall not exceed forty percent of its net worth in its most recent financial statement certified or audited by a certified public accountant.

The amount of an individual loan granted by the Company to a company or business due to business transactions with the Company shall not exceed the business transactions amount between them. "Business transaction amount" as referred to above shall mean the amount of purchase or sale between them, whichever is higher.

Article 5 Prior to granting loans to others, in addition to the requirements under Article 3, the financial department shall conduct detailed examination process against the borrower and prepare an evaluation report, which shall include:

1. Evaluation of the necessity and reasonableness of the loan to be granted;
2. The borrower's credit investigation and risk evaluation: the financial condition of its business, solvency, credibility, profitability, purpose of the loan, maximum amount of loan that may be granted, term, interest calculation, etc.;
3. Impact on the Company's operational risk, financial condition and shareholders' rights; and
4. Appraisal report on the value of the collateral.

The aforesaid matters shall be submitted to the Board for approval. The comments of each Independent Director shall be duly considered, and any concurring or reserved comment of such Independent Director shall be clearly recorded in the Board meeting minutes.

Loans between the Company and its subsidiary or between the Company's subsidiaries shall be submitted to the Board for approval pursuant to the foregoing. The Board may authorize the Chairman to make several loans or recurring loans to the same borrower to the extent within a specific amount and within a period no longer than one year.

"Specific amount" as referred to in the preceding Paragraph shall mean that the authorized amount of loans by the Company or its subsidiary to an individual entity shall not exceed ten percent of its net worth in its most recent financial statement, except that there shall be no limit to the authorized amount of loans between the Company's foreign subsidiaries of whom the Company directly and indirectly holds one hundred percent of voting shares, as conforming to Paragraph 2, Article 3.

Article 6 Issues that should be noted when granting loans

1. The loan agreement by the Company with a borrower shall be based on the seal as used in the registration of legal entity or group with the competent authority, and the financial department shall verify the seals and signatures of the borrower and its guarantor.
2. After the completion of each loan, the financial department shall prepare the memorandum journal voucher of collateral or guarantee obtained, record the borrower, amount, date of Board approval, date of the grant of loan and the evaluation report prepared pursuant to Article 5 in the memorandum book, evaluate the status of loans and make adequate provision of reserve for bad debts in accordance with generally accepted accounting principles, and make appropriate disclosure of relevant information in the financial reports and provide the certifying accountants with relevant information.

Article 7 Issues that should be noted after drawdown on a loan has been made

1. Once drawdown on a loan has been made, the financial department shall regularly investigate and evaluate the financial, business and relevant credit conditions of the borrower and the guarantor. Where collateral is provided, changes in its values shall



also be noted, and any material change thereto shall be immediately reported to the Chairman and be dealt with as appropriate according to the relevant instruction.

2. When the borrower is making a repayment upon or prior to maturity, the interest shall first be calculated and repaid together with the principal, before the cancellation and return of the relevant evidence of claim to the borrow or the cancellation of the mortgage registration.
3. If the borrower fails to perform pursuant to the loan agreement, the Company may dispose of and claim against the collateral or the guarantor provided by the borrower in accordance with the law.
4. The term of each loan shall be determined by the Board based on the particular borrower and the loan limit. Upon the expiry of the term, the Board may approve an extension, and the principal and interests of those not extended by approval of the Board shall be collected in full or otherwise claimed for repayment pursuant to the law.
5. The interest rate of the loan by the Company shall not be lower than the average short-term bank loan interest rate. In the event of Paragraph 3 or 4 above, the Company may, in addition to dispose of and claim against the collateral provided, charge a penalty calculated at ten percent in addition to the stipulated interest rate.
6. If due to a change of circumstances, the borrower becomes non-conforming with these Regulations or the outstanding balance of the loan exceeds the limit required thereof, the Company shall adopt an improvement plan and submitted to the Supervisors, and shall complete the improvement in accordance with the timeline specified therein.

Article 8 The Company may provide endorsements/guarantees to the following:

1. A company with which it does business;
2. A company in which the Company directly and indirectly holds more than fifty percent of the voting shares;
3. A company that directly and indirectly holds more than fifty percent of the voting shares in the Company.

Endorsements/guarantees may be made between the Company's subsidiaries of whom the Company directly or indirectly holds ninety percent or more of voting shares; provided that Board approval by resolution shall be required in advance and that, except endorsements/guarantees between the Company's subsidiaries of whom the Company directly and indirectly holds one hundred percent of voting shares, the amount shall not exceed ten percent of its net worth in its most recent financial statement.

The preceding two Paragraphs shall not apply where the Company is in a joint venture and all capital contributing shareholders make endorsements/guarantees for the jointly invested company in proportion to their shareholdings. "Capital contribution" as referred to above shall mean capital contribution directly by the Company or through a company in which it holds one hundred percent of voting shares.

Article 9 The scope of "endorsements/guarantees" referred to in these Regulations shall be the following:

1. Financing endorsements and guarantees:
  - A. Bill discount financing.
  - B. Endorsement or guarantee made to meet the financing needs of another company.
  - C. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company.
2. Customs duty endorsement/guarantee: meaning an endorsement or guarantee for the Company or another company with respect to customs duty matters.
3. Other endorsements/guarantees: meaning endorsements or guarantees beyond the scope of the above two Paragraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Regulations.

Article 10 The total amount of the Company's liability in respect of endorsements/guarantees cannot exceed one hundred percent of the Company's net worth, and the accumulated amount of the endorsements/guarantees for an individual entity cannot exceed twenty-five percent of the Company's net worth.

The aggregate total amount of the Company's and its subsidiaries' liability in respect of endorsements/guarantees cannot exceed one hundred percent of the Company's net worth, and the accumulated amount of the endorsements/guarantees for an individual entity by the Company and its subsidiaries cannot exceed twenty-five percent of the Company's net worth. If approved by the Board, endorsements/guarantees between the Company and its subsidiaries of whom the Company directly or indirectly holds fifty percent or more of voting shares may be exempted from the aforesaid restriction for endorsements/guarantees for an individual entity.

Article 11 Level of determination and authorization for endorsements/guarantees:

1. Where any department needs to make endorsement/guarantee due to business needs, the Board's advance approval shall be required; provided that the Board may authorize the Chairman to approve the endorsements/guarantees under US\$15,000,000 in the interest of time and submit the same for the Board's ratification afterwards.
2. Where the Company needs to make endorsement/guarantee in excess of the limits set out under Article 10 due to business needs, the Company shall first obtain approval from the Board and have half or more of the Directors act as joint guarantors. The Company shall also amend these Regulations and submit the same for ratification in a shareholders meeting. If it is disapproved in the shareholders meeting, the Company shall adopt a plan to discharge the excessive amount within a given time limit.
3. If the Company has established Independent Directors pursuant to the Act, the opinions of each Independent Director shall be fully considered, and any

concurring or reserved comment of such Independent Director shall be clearly recorded in the Board meeting minutes.

Article 12 Procedures for Making Endorsements/Guarantees

1. When the Company is to make endorsements/guarantees, the financial department shall item by item review the subject company's qualification and whether the amount conforms to these Regulations, and shall analyze the necessity and reasonableness of such endorsements/guarantees, evaluate the risk thereof and put it in record, and shall obtain collateral when necessary. After the contents, reason and risk evaluation of such endorsements/guarantees are clearly explained and approved by the Chairman, it shall be submitted to the Board for approval in order to proceed; provided that if the amount is within the authorized amount, the Chairman may approve it.
2. When the Company is to make endorsements/guarantees, it shall prepare a memorandum book. After the Board approval or authorization by the Chairman, in addition to the application for sealing pursuant to the relevant Regulations, the matters of endorsement/guarantee, the name of the entity for which the endorsement/guarantee is made, result of risk evaluation, the amount, content of the collateral, terms and date for discharge of liability, etc. shall be recorded in detail for reference.
3. The financial department shall prepare a breakdown list for the guaranteed matters that occurred or terminated in each month in order to keep trace and control, and shall, in accordance with Statement of Financial Accounting No. 9, evaluate or identify loss contingencies of the endorsements/guarantees and disclose information relevant to the endorsements/guarantees as appropriate in the financial statement.
4. When the Company or its subsidiary is to make endorsements/guarantees for a subsidiary whose net worth is lower than half of its paid-in capital, in addition to following the preceding three Paragraphs, the financial department of the Company or its subsidiary shall quarterly evaluate the financial and business conditions of the subject of such endorsements/guarantees and, if it is evaluated that a material credit risk is likely to occur, shall immediately report to the Board in writing.

Article 13 Where the subject of an endorsement/guarantee who was qualified under Article 8 later becomes not qualified, or where the amount of an endorsement/guarantee becomes in excess of the amount limit due to changes in the foundation for calculation of such amount limit, either the amount of the endorsement/guarantee for such subject or the excessive amount shall be discharged after expiry of the term of the endorsement/guarantee agreement, or the financial department shall adopt an improvement plan to discharge with the Chairman's approval the full amount within a specified time line and shall submit the improvement plan to the Board and each of the Supervisors.

Article 14 Safekeeping and procedures for seals

The Company shall use the company seal it used to apply for registration with the Ministry of Economic Affairs as the dedicated seal for endorsements/guarantees. The seal shall be kept in the custody of a designated person approved by the Board, and such person shall not be one of those who process the relevant procedures of endorsements/guarantees for others. The seal may only be affixed or used to issue negotiable instruments if the Company's procedures are followed. The replacement of the custodian of the seal shall be approved by the Board.

Article 15 Procedures for public disclosure of information:

1. The Company shall, prior to the tenth day of each month, publicly disclose the Company's and its subsidiaries' balance of granted loans and endorsements/guarantees for the previous month at the website designated by the SFB.
2. Where the balance of granted loans reaches one of the following thresholds, the Company shall publicly disclose relevant information within two days from the day of occurrence of such event at the website designated by the SFB using the prescribed format based on the nature:
  - A. The balance of the granted loans of the Company and its subsidiaries reaches twenty percent or more of the Company's net worth in its most recent financial statement.
  - B. The balance of the granted loans of the Company and its subsidiaries in respect of a single business reaches ten percent or more of the Company's net worth in its most recent financial statement.
  - C. The amount of the newly granted loan of the Company or its subsidiaries exceeds NT\$10,000,000 and has reached two percent or more of the Company's net worth in its most recent financial statement.
3. Where the balance of endorsements/guarantees reaches one of the following thresholds, the Company shall publicly disclose relevant information within two days from the day of occurrence of such event at the website designated by the SFB using the prescribed format based on the nature:
  - A. The balance of endorsements/guarantees of the Company and its subsidiaries reaches fifty percent or more of the Company's net worth in its most recent financial statement.
  - B. The balance of endorsements/guarantees of the Company and its subsidiaries in respect of a single business reaches twenty percent or more of the Company's net worth in its most recent financial statement.
  - C. The balance of endorsements/guarantees of the Company and its subsidiaries in respect of a single business exceeds NT\$10,000,000 and the total amount of endorsements/guarantees, long-term investment and loan in respect of the business reaches thirty percent of the Company's net worth in the most recent financial statement.
  - D. The amount of the new endorsements/guarantees by the Company or its subsidiaries exceeds NT\$30,000,000 and has reached five percent or more of the Company's net worth in its most recent financial statement.

4. If any subsidiary of the Company is not a public company in the Republic of China, the Company shall make the appropriate disclosure if such subsidiary meets the threshold under Subparagraph 3 of Paragraph 2 or Subparagraph 4 of Paragraph 3 above.

Article 16 Management of subsidiaries

1. Where a subsidiary intends to grant loans to or make endorsements/guarantees for others, it shall promulgate relevant procedures and submit the same (including any amendments thereof) for the Company's Board's approval. The subsidiary shall follow such procedures it promulgated when granting loans or making endorsements/guarantees. Any matter not specified therein shall be subject to these Regulations.
2. Each subsidiary shall report to the Company prior to the fifth day of each month the amount, subject and term of granted loans and endorsements/guarantees by such subsidiary for the previous month.

Article 17 The internal audit staff of the Company shall on a quarterly basis audit the implementation and execution of these Regulations and keep a written record. The internal audit staff shall immediately notify each of the Supervisors in writing upon discovery of any material violation.

Article 18 If any relevant staff of the Company violates these Procedure and the relevant laws and regulations, the Company may, depending on the seriousness of the violation, impose upon such staff a warning, demerit, demotion, suspension, salary reduction or other penalties and subject the violation to internal review.

Article 19 Any matter not specified in these Regulations shall be subject to the relevant laws and regulations and the Company's other internal rules.

Article 20 These Regulations and any amendment thereof shall be effective after approval by the Board, review of each Supervisor and approval in a shareholders meeting. Any objection by the Director which is recorded or presented in writing shall be submitted to each Supervisor and the shareholders meeting for discussion.

If the Company has established Independent Directors pursuant to the Act, when these Regulations are submitted to the Board for discussion pursuant to the preceding Paragraph, the opinions of each Independent Director shall be fully considered, and any concurring or reserved comment of such Independent Director shall be clearly recorded in the Board meeting minutes.

## Appendix 14

### **E INK HOLDINGS INC. RULES OF SHAREHOLDERS MEETING**

- Article 1 The shareholders' meeting of the Company shall be proceeded with in accordance with these rules, unless otherwise provided by laws and regulations.
- Article 2 The Company shall prepare a sign-in book for shareholders to sign in, and an attending shareholder may hand in an attendance card in lieu of signing on the sign-in book. The number of shares representing shareholders present in the meeting shall be calculated in accordance with those indicated on the sign-in book or the attendance cards, as well as shares with voting rights exercised in writing or by means of electronic transmission.
- Article 3 The presence of shareholders and any voting in a shareholders' meeting shall be made on the basis of counting the number of shares.
- Article 4 The shareholders' meetings shall be held at the premises of the Company, or any other place convenient for attending by shareholders, and suitable for holding of such meetings. The meetings shall not be commenced earlier than 9 a.m. or later than 3 p.m.
- Article 5 If a shareholders' meeting is convened by the board of directors, the chairman of the board of directors shall preside at the shareholders' meeting. In case the chairman is on leave or unable to exercise his/her functions the vice chairman shall act in his/her place. If there is no vice chairman or the vice chairman is also on leave or unable to exercise his/her functions, the chairman shall designate a managing director to act in lieu of the chairman. If there are no managing directors, the chairman shall designate a director to exercise his/her functions. If the chairman does not designate a director, the managing directors or directors shall elect one from among themselves to act in lieu of the chairman.
- If a shareholders' meeting is convened by any person other than the board of directors, the person who is entitled to convene the meeting shall preside at the meeting. If there are more than two such persons, one shall be elected among themselves to preside at the meeting.
- Article 6 The Company may designate its lawyer, certified public accountant or other relevant persons to attend the shareholders' meeting.
- The personnel handling the affairs of a shareholders' meeting shall each wear an identification badge or an arm-band.
- Article 7 All proceedings of the shareholders' meeting shall be recorded with an audio or video tape, and such audio tapes or video tapes shall be kept for at least one year.
- Article 8 When it is time to commence a shareholders' meeting, the person presiding the meeting shall immediately commence the meeting, provided, however, that if the total amount of shares represented at the meeting do not exceed one-half of the total number of the issued shares, the person presiding the meeting may postpone the

meeting; provided, however, that the postponement of the meeting shall be limited to two times, and the total time postponed shall not exceed one hour. If the meeting has been postponed for two times, but the total amount of shares represented at the meeting still do not exceed one-half of the total number of the issued shares, a tentative resolution may be adopted in accordance with Paragraph 1 of Article 175 of the Company Act of ROC, if the total amount of shares represented at the meeting is more than one-third of the total number of the issued shares.

If, before the end of the meeting, the total amount of shares represented at the meeting becomes to exceed one-half of the total number of the issued shares, the person presiding the meeting may present the previously adopted tentative resolution to the meeting for resolution in accordance with Article 174 of the Company Act of ROC.

Article 9 If a shareholders' meeting is convened by the board of directors, the agenda of the meeting shall be prepared by the board of directors, and the meeting shall be proceeded with in accordance with the agenda. The agenda shall not be changed without a resolution made by the shareholders' meeting.

If a shareholders' meeting is not convened by the board of directors, but by the person who is entitled to convene such meeting, the preceding paragraph shall apply mutatis mutandis to the change of agenda of the meeting.

The person presiding the meeting shall not adjourn a meeting without a resolution adopted by shareholders if the motions (including extraordinary motions) in the agenda arranged in the above two Paragraphs shall not have been resolved. If the person presiding the meeting declares the adjournment of the meeting in a manner in violation of these rules, a new person presiding the meeting may be elected to continue the proceedings of the meeting by a resolution representing the majority of the shares represented at the meeting.

If the meeting is duly adjourned, the shareholders may not elect another person presiding the meeting to continue to hold the meeting at the same place or at any other place.

Article 10 A shareholder wishing to speak in a shareholders' meeting shall first fill out a slip, specifying therein the gist of his/her speech, his/her shareholder identification number (or the number of attendance certification) and his/her name, and the person presiding the meeting shall determine such shareholders' order of giving a speech.

A shareholder who submits his/her slip for a speech but does not actually speak shall be considered as not having given a speech. If the contents of his/her speech are different from those specified on the slip, the contents of his speech shall prevail.

When a shareholder is giving a speech, the other shareholders shall not interrupt unless they have obtained the prior consent from the person presiding the meeting and the speaking shareholder, and the person presiding the meeting may prevent others from interrupting.

Article 11 A shareholder shall not speak more than two times and each of his speech shall not exceed five minutes for one subject, unless he has obtained the prior consent from the person presiding the meeting.

If a shareholder violates the preceding paragraph or his/her speech is irrelevant to the

- subject, the person presiding the meeting may stop him from continuing speaking.
- Article 12 If corporate shareholder is mandated by another shareholder to attend a shareholders' meeting, it may designate only one representative to the meeting. If a corporate shareholder designates two or more representatives to represent it at the shareholders' meeting, only one of its representatives may speak on the same subject.
- Article 13 After a shareholder has given a speech, the person presiding the meeting may answer in person or designate relevant person to respond.
- Article 14 When the person presiding the meeting considers that the discussion for a subject has reached to the degree that a resolution may be adopted, he may discontinue the discussions and submit the subject for resolution.
- Article 15 The persons scrutinizing the casting of votes and the counting thereof for resolutions shall be designated by the person presiding the meeting, provided, however, that the person scrutinizing the casting of votes shall be a shareholder. The results of resolution(s) shall be announced in the meeting immediately, and recorded in the minutes of the meeting.
- Article 16 During the meeting, the person presiding the meeting may announce for a break with a time period he thinks fit.
- Article 17 Except for the voting rights restricted or excluded according to Article 179 paragraph 2 and Article 197-1 of the Company Act, a shareholder shall have one voting right in respect of each share in his/her/its possession. Unless otherwise provided by laws and regulations or the Articles of Incorporation, the resolutions of the shareholders' meeting shall be adopted by the majority of the shares represented at the meeting.
- Article 17-1 The voting right at a shareholders' meeting may be exercised in writing or by way of electronic transmission, provided, however, that the method for exercising the voting right shall be described in the shareholders' meeting notice to be given to the shareholders. A shareholder who exercises his/her/its voting right at a shareholders' meeting in writing or by way of electronic transmission shall be deemed to have attended the shareholders' meeting in person, but shall be deemed to have waived his/her/its voting right in respective of any extemporary motion(s) and/or the amendment(s) to the original proposal(s) at the shareholders' meeting. In case a shareholder elects to exercise his/her/its voting right in writing or by way of electronic transmission, his/her/its declaration of intention shall be served to the company at least two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail unless an explicit statement to revoke the previous declaration is made in the declaration which comes later. In case a shareholder who has exercised his/her/its voting right in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, at least two days prior to the scheduled meeting date of the shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its



previous declaration of intention made in exercising the voting right under the preceding paragraph. In the absence of a timely rescission of the previous declaration of intention, the voting right exercised in writing or by way of electronic transmission shall prevail. In case a shareholder has exercised his/her/its voting right in writing or by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting in his/her/its behalf, the voting right exercised by the authorized proxy for the said shareholder shall prevail.

Unless otherwise provided by the Company Act or the Articles of Incorporation, the resolutions of the shareholders' meeting shall be adopted by the majority of the voting rights represented at the meeting. When voting, the Chairman or its designated personnel should announce case by case the total amount of voting rights represented by those attending shareholders and the shareholders vote accordingly. The results of shareholders' agreements, disagreements or waivers for each case should be entered into MOPS after the shareholders' meeting.

- Article 18 If there is an amendment or a substitute proposal to a subject being discussed, the person presiding the meeting may combine the amendment or substitute proposal into the original subject, and determine their orders for voting. If any one of the above has been passed, the others shall be considered as rejected, upon which no further resolution shall be required.
- Article 19 The person presiding the meeting may direct order-maintaining personnel (or security personnel) to maintain the order of the meeting. For doing so they shall wear an arm-band bearing the words of "order-maintaining personnel" (or security personnel).
- Article 20 Establishment of and amendment to these rules shall be subject to the adoption by the shareholders at a shareholders' meeting.

**Appendix 15**

**INFORMATION REGARDING REMUNERATION TO DIRECTORS AND SUPERVISORS AND BONUSES FOR EMPLOYEES**

The details of the remuneration to Directors and Supervisors and the bonuses for employees approved by the Board of Directors on March 20, 2013 are set forth as follows, which will be conducted pursuant to the relevant rules upon the resolution passed at the general meeting on May 3, 2012.

	Employees Bonuses (Cash)	Remuneration to Directors and Supervisors	Total
Amount Approved by the Board of Directors	0	0	0
Amount Shown in the 2012 Annual Financial Statements	0	0	0
Discrepancy	The distribution amount approved by the Board of Directors is the same as listed on the accounts.		

**Appendix 16**

**IMPACT CAUSED BY STOCK DIVIDENDS ON BUSINESS PERFORMANCE, EARNINGS PER SHARE, AND RETURN ON EQUITY**

Not applicable as the Company did not issue any stock dividends this year.

## Appendix 17

### E INK HOLDINGS INC.

#### List of Directors and Supervisors

Record Date: March 20, 2013

Position	Name		Date of Election/ Assumption of Office	Number of Shares on Date of Election			Current Number of Shares			Remark
				Type	Number of Shares	Percentage	Type	Number of Shares	Percentage	
Vice Chairman	Yi-Da Ho	Representatives of Cheng-Yu Co., Ltd.	June 24, 2011	Common Stock	167,137	0.02%	Common Stock	167,137	0.02%	
Director	Si-Cheng Liu		June 24, 2011							
Director	Show-Chung Ho		June 24, 2011							
Director	Cheng-Hao Lee		June 24, 2011							
Director	Chuang-Chuang Tsai	Representatives of YFY Inc.	June 24, 2011	Common Stock	113,472,904	10.50%	Common Stock	113,472,904	10.50%	
Director	Ta-Shau Shih		June 24, 2011							
Director	Chun-Chieh Huang		June 24, 2011							
Independent Director	Ten-Chung Chen		June 24, 2011	Common Stock	0	0.00%	Common Stock	0	0.00%	
Independent Director	Yung-Cheng Chen		June 24, 2011	Common Stock	0	0.00%	Common Stock	0	0.00%	
Supervisor	Li-Chun Hsiao	Representatives of Yuen Foong Paper Co., Ltd.	June 24, 2011	Common Stock	12,847,520	1.19%	Common Stock	12,847,520	1.19%	
Supervisor	Ching-Yuan Chang		June 24, 2011	Common Stock						
Supervisor	Ching-I Wang		June 24, 2011	Common Stock	0	0.00%	Common Stock	0	0.00%	
Total					126,487,561	11.71%		126,487,561	11.71%	

Total issued shares as of March 20, 2013: 1,080,398,095 shares.

Note: The number of shares legally required to be held by all Directors: 40,000,000 shares; as of March 20 2013, all Directors held 113,640,041 shares.  
The number of shares legally required to be held by all Supervisors: 4,000,000 shares; as of March 20, 2013, all Supervisors held 12,847,520 shares.

\* The shares held by the Independent Directors will not be counted as the number of shares held by the Directors and Supervisors.

**MEMO**