

Code: 8069



# **E INK HOLDINGS INC.**

## **2016 ANNUAL GENERAL MEETING OF STOCKHOLDERS**

### **MEETING MANUAL**

Date: June 22, 2016

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.**  
**2016 ANNUAL GENERAL MEETING OF STOCKHOLDERS**  
**MEETING AGENDA**

Date and Time: 22 June, 2016 (Wednesday), 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. Discussion Items(1):
  - (1) Propose to amend part of the Article of Incorporation of the Company
4. Report Items:
  - (1) To report the 2015 business report and financial status of the Company
  - (2) To report the 2015 Audit Committee's review report
  - (3) To report the status of the Company's distribution of remuneration of directors and employees
5. Adoption Items:
  - (1) To adopt the 2015 financial statements of the Company
  - (2) To adopt the proposal for 2015 earnings distribution of the Company
6. Discussion Items(2):
  - (1) To amend the Company's "Rules of Loaning of Funds and Making of Endorsements/Guarantees"
  - (2) To amend the Company's "Rules of Acquisition or Disposal Procedures of Assets"
  - (3) To release the Company's directors and their representatives from non-compete restrictions
7. Any Other Business
8. Announcement of Adjournment

**Discussion Items(1):**

<Item 1>

Subject: Propose to amend part of the Article of Incorporation of the Company

Explanatory Note:

- (1) To comply with Article 235-1 and the amendment of Articles 235 and 240 of the Company Act promulgated on May 20, 2015 per the President Order Hua Zong Zi No. 10400058161, it is proposed to amend the source and the order of the Company's distribution of remuneration of directors and employees; in addition, to comply with the Company's diversified development goals, it is proposed to newly add the related business items to the Articles of Incorporation of the Company.
- (2) Comparison Table of the Draft Amendment to Articles of Incorporation is attached hereto as Appendix 1 of the Meeting Manual.
- (3) Please kindly discuss.

## Report Items:

### <Item 1>

Subject: To report the 2015 business report and financial status of the Company

Explanatory Note:

- (1) In 2015, the Company has the net sales of NT\$12,501,126,354, the combined net operating income of NT\$13,306,503,126, the after-tax net income of NT\$539,329,982 and the after-tax income per share of NT\$0.47.
- (2) The business report and the relevant financial statements of the Company are attached hereto as Appendixes 2 and 3 of the Meeting Manual.
- (3) Please kindly note.

### <Item 2>

Subject: To report the 2015 Audit Committee's review report

Explanatory Note:

- (1) The 2015 financial statements of the Company have been audited by the CPA and, with the business report, earning distribution proposal of the Company, reviewed by the Supervisors. The 2015 audited financial statements of the Company and the Audit Committee's review report of the 2015 audited financial statements are attached hereto as Appendixes 2 to 4 of the Meeting Manual.
- (2) Please kindly note.

### <Item 3>

Subject: To report the status of distribution of the remuneration for employees and directors of the Company.

Explanatory Note:

- (1) According to Article 19 of the amendment to Articles of Incorporation of the Company adopted by the 9th board of directors' resolution on December 30, 2015, "if the Company earns profits in a year, it shall distribute at least one percent (1%) but not more than ten percent (10%) of the profits as employee remuneration and not more than one percent (1%) of the profits as the Directors' remuneration."
- (2) The earnings (which are the earnings before tax and the deduction of the earnings distributed as employee and director remuneration) of the Company in 2015 amounts to NT\$646,245,268 ("profit"). It is proposed to distribute NT\$6,500,000 (which accounts for 1% of the profit as employee remuneration and NT\$6,000,000 (which accounts for

0.93% of the profit) as director remuneration; both shall be paid by cash. The employee remuneration will not be distributed to the employees of the Company's subsidiaries.

(3) Please kindly note.

## Adoption Items:

<Item 1> (Proposed by Board of Directors)

Subject: To adopt the 2015 financial statements of the Company

Explanatory Note:

- (1) The 2015 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 2015 Business Report are attached hereto as Appendixes 2~4 of the Meeting Manual.
- (3) Please kindly adopt.

Resolution:

<Item 2> (Proposed by Board of Directors)

Subject: To adopt the proposal for 2015 earnings distribution of the Company

Explanatory Note:

- (1) The amount of the Company's accumulated non-distributed earnings is NT\$2,486,033,022 as of the beginning of the year. The amount of retained earnings have been reduced to reflect the Investments under equity method of NT\$21,161,555 and actuarial loss of NT\$11,768,176, after adding the Company's 2014 after-tax net profit of NT\$539,329,982 and setting aside legal reserve of NT\$53,932,998 the total amount of distributable retained earnings is NT\$2,938,500,275.
- (2) According to the Articles of Incorporation of the Company, the distributable retained earnings proposed to be distributed are as follows:  
The cash dividend per share to be distributed is NT\$0.47 which amounts to NT\$536,019,826 in total.
- (3) Shareholders' dividends and bonus shall be distributed to the shareholders listed in the shareholder register based on the number of the shares held on the ex-dividend date and round up to the dollar. The total amount of the fractional shares shall be recognized as the other income of the Company.
- (4) Authorize the board of the directors to adjust the proposal in the case that the number of outstanding shares changes due to the Company's buying back of the treasury shares or the exercise of the employee stock option and the shareholders' waiving of rights of dividends resulting in change of the dividend distribution percentage.

(5) The 2015 earnings distribution table is attached hereto as Appendix 5 of the Meeting Manual.

(6) Please kindly adopt.

Resolution:



## **Discussion Items(2):**

### **<Item 1>**

(Proposed by Board of Directors)

Subject: To amend some provisions of the Company's "Rules of Loaning of Funds and Making of Endorsements/Guarantees"

Explanatory Note:

- (1) To comply with the letter No. Financial-Supervisory-Securities-Auditing-1040021647 of the Financial Supervisory Commission, the Company shall amend part of the Company's "Rules of Loaning of Funds and Making of Endorsements/Guarantees" at the recent shareholders' meeting by adding the provisions with respect to the total amount, the loan limits for each individual borrower and the method to calculate the interest of the inter-firm business transaction and the short-term financing facilities.
- (2) The comparison table of the Rules of Loaning of Funds and Making of Endorsements/Guarantees is attached hereto as Appendix 6 of the Meeting Manual.
- (3) Please kindly discuss.

Resolution:

### **<Item 2>**

(Proposed by Board of Directors)

Subject: To amend some provisions of the Company's "Rules Governing the Acquisition and Disposal of Assets"

Explanatory Note:

- (1) In response to the International Financial Reporting Standards applicable to the public company, and to comply with part of the provisions of the Business Mergers And Acquisitions Act amended per the President Order Hua Zong Zi No. 10400078331 dated July 8, 2015, it is proposed to amend part of the provisions of the Company's "Rules of Acquisition and Disposal of Assets"
- (2) The comparison table of the Company's "Rules of Acquisition and Disposal of Assets is attached hereto as Appendix 7 of the Meeting Manual.
- (3) Please kindly discuss.

Resolution:

**<Item 3>**

(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' meeting 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 directors and their respective representatives are as follows : Name of Directors	Company in which Concurrent Positions are Held	Position Held
Johnson Li	NTX Electronics Yangzhou Co., Ltd. Netronix, Inc	Director
Bing- Seng Wu	Liqxtal Technology Inc.	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 according to Article 209 of the Company Act.

- (4) Please kindly discuss.

Resolution:

**Any other business:**

## Appendix 1

### E INK HOLDINGS INC.

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

Article	After Amendment	Before Amendment	Remarks
Chapter I Article 2	<p>The scope of business of the Company shall be as follows:</p> <p>(1) CC01080 Electronic Parts and Components Manufacturing</p> <p>(2) F119010 Wholesale of Electronic Materials (limited to the operation outside the area)</p> <p>(3) F219010 Retail Sale of Electronic Materials (limited to the operation outside the area)</p> <p>(4) F113050 Wholesale of Computing and Business Machinery Equipment (limited to the operation outside the area)</p> <p>(5) F213030 Retail Sale of Computing and Business Machinery Equipment (limited to the operation outside the area)</p> <p>(6) F118010 Wholesale of Computer Software (limited to business outside the area)</p> <p>(7) F218010 Retail Sale of Computer Software (limited to the operation outside the area)</p> <p>(8) I301010 Software Design Services (limited to the operation outside the area)</p> <p>(9) CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing (limited to the operation outside the area)</p> <p>(10) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import (limited to the operation outside the area)</p> <p>(11) F113070 Wholesale of Telecom Instruments (limited to the</p>	<p>The scope of business of the Company shall be as follows:</p> <p>(1) CC01080 Electronic Parts and Components Manufacturing</p> <p>(2) F119010 Wholesale of Electronic Materials (limited to the operation outside the area)</p> <p>(3) F219010 Retail Sale of Electronic Materials (limited to the operation outside the area)</p> <p>(4) F113050 Wholesale of Computing and Business Machinery Equipment (limited to the operation outside the area)</p> <p>(5) F213030 Retail Sale of Computing and Business Machinery Equipment (limited to the operation outside the area)</p> <p>(6) F118010 Wholesale of Computer Software (limited to business outside the area)</p> <p>(7) F218010 Retail Sale of Computer Software (limited to the operation outside the area)</p> <p>(8) I301010 Software Design Services (limited to the operation outside the area)</p> <p>(9) CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing (limited to the operation outside the area)</p> <p>(10) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import (limited to the operation outside the area)</p> <p>(11) F401010 International Trade Business</p>	<p>1. Add business items of the Company in order to comply with the Company's diversified development goals.</p> <p>2. The item (11) of the business scope is moved to the item (14).</p>

	<p><u>operation outside the area)</u>  <u>(12) F213060 Retail Sale of Telecom Instruments</u>  <u>(13) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval. (limited to the operation outside the area)</u>  (14) 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.</p>	<p>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.</p>	
Chapter IV Article 16	<p>Regardless of surplus or deficit of the Company, each Directors 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 <u>profits</u>, a special remuneration to the Directors and Supervisors shall be paid pursuant to Article 19.</p>	<p>Regardless of surplus or deficit of the Company, each Directors 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 <u>surplus earnings</u>, a special remuneration to the Directors and Supervisors shall be paid pursuant to Article 19.</p>	<p>Amend the source and the order of the Company's distribution of remuneration of employees and Directors to be in line with the newly amended Article 19 of the Company's Articles of Incorporation.</p>
Chapter	If the Company earns profits in a	(The Article is newly added)	Add this

<p>VI Article 19</p>	<p>year, it shall distribute at least one percent (1%) but not more than ten percent (10%) of the profits as employee remuneration and not more than one percent (1%) of the profits as the Directors remuneration. If however, the Company still has accumulated losses, a certain amount of profits shall be retained to make up for the losses.</p> <p>The Directors remuneration shall be paid by cash, the employee remuneration may be paid by cash or shares, and the distributees may include certain employees of a subsidiary. The distribution ratio of the Directors remuneration and the distribution ratio and method of the employee remuneration shall be adopted a majority vote of a meeting of the board of directors attended by two-thirds or more of all the directors, and report to the shareholders meeting.</p> <p>When calculating the remuneration of employees and directors, it shall deduct the accumulated losses from the profits earned in the year (that is the earnings before tax and the deduction of the earnings distributed as employee and director remuneration)of the Company and then calculate the remuneration of employee and directors based on the balance of the above.</p>		<p>Article to comply with the provisions regarding employee remuneration of Article 235-1 of the Company Act.</p>
<p>Chapter VI Article 19-1</p>	<p>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.</p> <p>Out of the profit of the Company upon</p>	<p>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.</p> <p>Out of the profit of the Company</p>	<p>Change the number assigned to the Article and amend the content of this Article to</p>

<p>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 <u>then</u> 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 <u>distribution of shareholders' dividends and bonus.</u></p> <p><u>pursuant to the following order:</u>  <del>The dividends distributed to the shareholders shall not exceed one percent (1%) per annum.</del>  <del>The remaining balance shall be distributed as the employee bonuses, remuneration for Directors and the shareholder bonuses.</del>  <del>Among those, employee bonuses shall be at least one percent (1%) but shall not be more than ten percent (10%), and remuneration for Directors shall not be higher than one percent (1%).</del>  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.  <del>The rules of distribution of employee bonuses shall be stipulated by the</del></p>	<p>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 <u>distribution pursuant to the following order:</u></p> <p><u>The dividends distributed to the shareholders shall not exceed one percent (1%) per annum.</u>  <u>The remaining balance shall be distributed as the employee bonuses, remuneration for Directors and the shareholder bonuses.</u>  <u>Among those, employee bonuses shall be at least one percent (1%) but shall not be more than ten percent (10%), and remuneration for Directors shall not be more than one percent (1%).</u>  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.  <u>The rules of distribution of employee bonuses shall be stipulated by the</u></p>	<p>comply with Article 235 of the Company Act which deletes the provisions that employees bonus is classified as distribution of the earnings.</p>
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	<p><del>Board of Directors; in respect of share dividends, the distributees may include certain employees of a subsidiary.</del></p> <p>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.</p> <p>Each year's profit distribution proposal should be approved by the board of directors and passed by shareholders' meeting.</p>	<p><u>Board of Directors; in respect of share dividends, the distributees may include certain employees of a subsidiary.</u></p> <p>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.</p> <p>Each year's profit distribution proposal should be approved by the board of directors and passed by shareholders' meeting.</p>	
Article 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>.</p> <p>The twenty-second amendment was made on June 9, 2015</p> <p><u>The twenty-third amendment was made on June 22, 2016</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>.</p> <p>The twenty-second amendment was made on June 9, 2015</p>	Current revision date is added

## Appendix 2

### 2016 Business Report

The global economy in 2015 saw constant fluctuation due to uncertainties. After implementing an organizational restructuring and adding more resources for exploring new markets in 2015, the Company plans to improve its profit position through improved efficiency, increasing margins, and revitalizing idle assets. Under the joint efforts of our colleagues, the Company has shown substantial improvement in efficiency and margins. In 2015, E Ink had a combined revenue of NT\$ 13.3 billion, a gross profit of NT\$ 4.15 billion with a gross profit margin of 31.2% and a net income after tax of NT\$ 539 million. The earnings per share (EPS) for 2015 were NT\$ 0.47.

In 2015, the Company continued its investment in electronic paper displays (EPD) to explore new markets and applications. The demand for eReaders remains stable. Our key customers have constantly improved their products to meet customer demands and the eReader market continues to be a stable revenue source. Electronic Shelf Labels (ESL) is another major product line which performed very well in 2015. We received requests from global customers to deploy ESL in their systems. The accumulated shipments have reached 60 million units. The Company anticipates this demand to continue in 2016 and believes it can achieve a milestone of 100 million shipped units.

The potential for growth exists in a number of new markets. Many customers are adopting E Ink Mobius into their new mobile and wearable products. The Company demonstrated large area EPD designs during Touch Taiwan 2015, including a tiled sign consisting of four 32 inch digital signs, and an E Ink Prism wall that can change images and color dynamically which is targeted for architecture applications. These products and markets have the potential for high growth in the coming years.

As EPDs are becoming increasingly adopted in ESL, mobile devices, digital signage, and architecture, the Company has been actively engaged in developing cooperative plans with strategic partners. The goal is to integrate upstream and downstream supply chain resources to expand the EPD ecosystem. This will provide customers with improved and complete design options, making it easier for product designers to adopt EPDs and continue the diversification of the EPD market.

In 2015, the Company saw significant outcomes both in ePaper technology and product development. We launched E Ink Prism at CES which received a lot of attention. At SID, we announced E Ink Spectra yellow that expands the market for retail applications. Furthermore, E Ink's wirelessly powered battery-less display won the 2015 Gold Panel Best Technology Award for its technology breakthrough, new market application and business possibilities. In addition, the Joan Meeting Room Assistant jointly developed by E Ink and Visionect was named as a CES 2106 Innovation Award Honoree in the Eco-Design and



Sustainable Technologies product category. The selection recognizes Joans eco-friendly design and reduced environmental impact. Capabilities made possible by E Ink's EPD technology.

## **Operation Highlights in 2016**

With the foundation set in 2015, the Company will continue a number of strategic projects in operational management, and will develop cooperative projects with our strategic partners. Our goal is to achieve continued growth by together expanding the ePaper market and enable growth for new product applications. To achieve our performance objectives, we will implement the following operational strategies in 2016:

- (1) Strengthen the integration of production and R&D to improve production yield.  
With the goal of developing forward-looking technologies, the Company continues its goal and R&D efforts to develop critical EPD technologies. We have achieved breakthroughs in a number of areas such as front light, touch, flexible and color EPD, and have been adopted in a number of different market applications. As product applications continue to diversify, the Company will establish integrated plans between product management and technical operations to deliver products that are more competitive, better fit the demands of diversified markets, and meet customer product requirements.
- (2) Introduce lean production to improve production efficiency  
The Company will introduce lean operation techniques not only in production, but also in R&D, product management, and operational units. This will improve production efficiency and optimize cost. We believe this can result in improved product quality, reduced manufacturing time, and a reduction in labor required per unit produced.
- (3) Revitalize idle assets  
For production lines that are not running efficiently and may contain idle assets, the Company will adopt a number of projects to revitalize assets and enhance operational efficiency.
- (4) Actively establish the EPD ecosystem  
In order to achieve our goal of increasing revenue and profits a complete ecosystem is needed to support EPD designs. To achieve this, the Company is moving aggressively to form a strategic partnerships with upstream and downstream suppliers; companies in related markets and applications; and promote technology exchange with major component suppliers. The Company will also collaborate with chip suppliers in a joint effort to develop new chip designs to make EPD products more price competitive and more easy to design-in.
- (5) Continue to promote new products and application markets  
The Company will continue to develop new markets in digital signage, architecture and other high value-add applications. We will collaborate with leading brands, system integrators, channel distributors, and architecture designers to expand our business and markets. We believe this will become a main driving forces for future profits.

## **Prospect**

The Company is optimistic about the broad applications of ePaper products in both eReader and non-eReader markets because ePaper's unique characteristics such as ultra-low power consumption, lightweight, flexible, and viewable under all lighting conditions. In a new era of environmentally conscious consumers, energy saving products and product designers wanting to deploy services without incurring the high cost to build out infrastructure, EPD based products have a distinct advantage over other competing options.

In 2016, the Company will strive to improve operational efficiency and allocate more R&D resources. We will continue our efforts in product and technology innovation to create greater value for our customers. With strong support from our staff, suppliers, customers, and partners, we believe we will execute our plan in a pragmatic manner and consistently make progress to running a profitable business, improve shareholder value and meet the expectations of the general public.

Chairman: Frank Ko

Manager: Lloyd Chen

Accounting Officer: James Huang

## Appendix 3

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
E Ink Holdings Inc.

We have audited the accompanying balance sheets of E Ink Holdings Inc. (the "Company") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of E Ink Holdings Inc. as of December 31, 2015 and 2014, and the financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The statements of major accounting items listed in the financial statements of E Ink Holdings Inc. as of and for the year ended December 31, 2015 are presented for the purpose of additional analysis. Such statements have been subjected to the auditing procedures applied in our audits of the financial statements mentioned above. In our opinion, such statements are consistent in all material respects in relation to the financial statements as a whole.

March 18, 2016

#### Notice to Readers

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

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

# E INK HOLDINGS INC.

## BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 724,453	2	\$ 791,496	2
Financial assets at fair value through profit or loss	-	-	58,813	-
Debt investments with no active market	600,000	2	600,000	2
Accounts receivable	204,357	1	402,446	1
Accounts receivable from related parties	3,017,349	9	2,996,556	8
Other receivables from related parties	31,652	-	1,925,469	5
Inventories	850,819	2	962,025	3
Prepayments	236,675	1	81,527	-
Other current assets	53,727	-	87,976	-
Total current assets	<u>5,719,032</u>	<u>17</u>	<u>7,906,308</u>	<u>21</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets	658,747	2	851,785	2
Financial assets measured at cost	22,305	-	22,305	-
Debt investments with no active market	-	-	600,000	2
Investments accounted for using equity method	24,611,753	74	26,692,398	69
Property, plant and equipment	1,770,660	5	1,994,224	5
Other intangible assets	123,694	1	106,479	-
Deferred tax assets	242,954	1	338,397	1
Other non-current assets	62,900	-	28,323	-
Total non-current assets	<u>27,493,013</u>	<u>83</u>	<u>30,633,911</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 33,212,045</u>	<u>100</u>	<u>\$ 38,540,219</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 100,000	-	\$ 1,132,325	3
Accounts payable	772,153	3	513,658	1
Accounts payable to related parties	3,413,236	10	5,505,527	14
Other payables	519,397	2	490,729	1
Other payables to related parties	7,538	-	61,147	-
Current tax liabilities	4,070	-	81,850	-
Receipts in advance	11,889	-	132,531	1
Current portion of long-term borrowings	1,647,571	5	2,089,715	6
Other current liabilities	31,881	-	32,107	-
Total current liabilities	<u>6,507,735</u>	<u>20</u>	<u>10,039,589</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	-	-	1,812,857	5
Other non-current liabilities	24,499	-	54,247	-
Total non-current liabilities	<u>24,499</u>	<u>-</u>	<u>1,867,104</u>	<u>5</u>
Total liabilities	<u>6,532,234</u>	<u>20</u>	<u>11,906,693</u>	<u>31</u>
<b>EQUITY</b>				
Share capital	11,404,677	34	11,404,677	30
Capital surplus	10,071,578	30	10,071,578	26
Retained earnings				
Legal reserve	1,059,754	3	1,058,406	3
Special reserve	70,678	1	70,678	-
Unappropriated earnings	2,992,433	9	2,487,381	6
Total retained earnings	4,122,865	13	3,616,465	9
Other equity	1,080,691	3	1,540,806	4
Total equity	<u>26,679,811</u>	<u>80</u>	<u>26,633,526</u>	<u>69</u>
<b>TOTAL</b>	<u>\$ 33,212,045</u>	<u>100</u>	<u>\$ 38,540,219</u>	<u>100</u>

## E INK HOLDINGS INC.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 12,501,126	100	\$ 12,461,581	100
OPERATING COSTS	<u>10,527,339</u>	<u>84</u>	<u>11,542,526</u>	<u>93</u>
GROSS PROFIT	<u>1,973,787</u>	<u>16</u>	<u>919,055</u>	<u>7</u>
OPERATING EXPENSES				
Selling and marketing expenses	180,486	2	154,728	1
General and administrative expenses	646,553	5	702,895	6
Research and development expenses	<u>635,024</u>	<u>5</u>	<u>548,338</u>	<u>4</u>
Total operating expenses	<u>1,462,063</u>	<u>12</u>	<u>1,405,961</u>	<u>11</u>
INCOME (LOSS) FROM OPERATIONS	<u>511,724</u>	<u>4</u>	<u>(486,906)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	33,415	-	29,115	-
Royalty income	30,716	-	30,716	-
Dividend income	30,990	-	18,976	-
Other income	30,463	-	18,008	-
Interest expense	(61,226)	-	(105,267)	(1)
Share of profit or loss of subsidiaries and associates	100,200	1	443,162	4
Net gain (loss) on foreign currency exchange	80,335	1	(30,971)	-
Net gain (loss) on fair value change of financial assets at fair value through profit or loss	(58,813)	-	60,452	1
Impairment loss	<u>(64,059)</u>	<u>(1)</u>	<u>(5,296)</u>	<u>-</u>
Total non-operating income and expenses	<u>122,021</u>	<u>1</u>	<u>458,895</u>	<u>4</u>
INCOME (LOSS) BEFORE INCOME TAX	633,745	5	(28,011)	-
INCOME TAX BENEFIT (EXPENSE)	<u>(94,415)</u>	<u>(1)</u>	<u>41,487</u>	<u>-</u>
NET INCOME FOR THE YEAR	<u>539,330</u>	<u>4</u>	<u>13,476</u>	<u>-</u>

(Continued)

## E INK HOLDINGS INC.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (14,178)	-	\$ (14,159)	-
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	(11,686)	-	52,748	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>2,410</u>	<u>-</u>	<u>2,407</u>	<u>-</u>
	<u>(23,454)</u>	<u>-</u>	<u>40,996</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on available-for-sale financial assets	(174,115)	(2)	9,805	-
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	<u>(286,000)</u>	<u>(2)</u>	<u>888,650</u>	<u>7</u>
	<u>(460,115)</u>	<u>(4)</u>	<u>898,455</u>	<u>7</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(483,569)</u>	<u>(4)</u>	<u>939,451</u>	<u>8</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 55,761</u>	<u>-</u>	<u>\$ 952,927</u>	<u>8</u>
<b>EARNINGS PER SHARE</b>				
Basic	<u>\$0.47</u>		<u>\$0.01</u>	
Diluted	<u>\$0.47</u>		<u>\$0.01</u>	

(Concluded)

**E INK HOLDINGS INC.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
BALANCE AT JANUARY 1, 2014	1,140,990	\$ 11,409,897	\$ 10,073,700	\$ 1,055,476	\$ 483,507	\$ 2,130,050	\$ 61,569	\$ 580,782	\$ (25,894)	\$ 25,769,087
Legal reserve	-	-	-	2,930	-	(2,930)	-	-	-	-
Reversal of special reserve	-	-	-	-	(412,829)	412,829	-	-	-	-
Net income for the year ended December 31, 2014	-	-	-	-	-	13,476	-	-	-	13,476
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	40,996	1,020,437	(121,982)	-	939,451
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	-	54,472	1,020,437	(121,982)	-	952,927
Retirement of treasury shares	(522)	(5,220)	(4,346)	-	-	(16,328)	-	-	25,894	-
Partial acquisition of interests in subsidiaries	-	-	2,224	-	-	(90,712)	-	-	-	(88,488)
BALANCE AT DECEMBER 31, 2014	1,140,468	11,404,677	10,071,578	1,058,406	70,678	2,487,381	1,082,006	458,800	-	26,633,526
Legal reserve	-	-	-	1,348	-	(1,348)	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	-	539,330	-	-	-	539,330
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(23,454)	(115,532)	(344,583)	-	(483,569)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	515,876	(115,532)	(344,583)	-	55,761
Partial acquisition of interests in subsidiaries	-	-	-	-	-	(9,476)	-	-	-	(9,476)
BALANCE AT DECEMBER 31, 2015	<u>1,140,468</u>	<u>\$ 11,404,677</u>	<u>\$ 10,071,578</u>	<u>\$ 1,059,754</u>	<u>\$ 70,678</u>	<u>\$ 2,992,433</u>	<u>\$ 966,474</u>	<u>\$ 114,217</u>	<u>\$ -</u>	<u>\$ 26,679,811</u>

## E INK HOLDINGS INC.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ 633,745	\$ (28,011)
Adjustments for:		
Depreciation expenses	261,208	267,555
Amortization expenses	33,020	34,248
Net gain (loss) on fair value change of financial assets at fair value through profit or loss	58,813	(60,452)
Interest expenses	61,226	105,267
Interest income	(33,415)	(29,115)
Dividend income	(30,990)	(18,976)
Share of profit of subsidiaries and associates	(100,200)	(443,162)
Net gain on disposal of property, plant and equipment	(2)	(2,946)
Net gain on disposal of investments	-	(359)
Impairment loss recognized on financial assets	-	5,296
Impairment loss recognized on non-financial assets	64,059	-
Write-down (reversal of write-down) of inventories	(285,000)	312,000
Net unrealized loss (gain) on foreign currency exchange	(74,242)	122,977
Royalty income	(30,716)	(30,716)
Changes in operating assets and liabilities		
Accounts receivable	190,544	(188,803)
Accounts receivable from related parties	(83,961)	4,172,964
Inventories	396,206	160,848
Prepayments	(155,148)	2,740
Other current assets	27,601	(722)
Accounts payable	268,653	(745,670)
Accounts payable to related parties	(1,987,369)	(3,702,396)
Other payables	41,752	60,412
Receipts in advance	(102,724)	(115,500)
Other current liabilities	(4,251)	(4,812)
Cash used in operations	(851,191)	(127,333)
Income tax paid	(82,939)	(27,341)
Net cash used in operating activities	<u>(934,130)</u>	<u>(154,674)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of financial assets at fair value through profit or loss	-	1,500,000
Purchase of available-for-sale financial assets	-	(28,120)
Proceeds on sale of available-for-sale financial assets	-	2,809
Proceeds from capital reduction of available-for-sale financial assets	18,923	-
Purchase of debt investments with no active market	-	(1,500,000)
Proceeds from repayments of debt investments with no active market	600,000	300,000
Payments for property, plant and equipment	(172,502)	(121,576)
Proceeds from disposal of property, plant and equipment	76	3,592
Decrease in other receivables from related parties	(5,977)	797,240

(Continued)



## E INK HOLDINGS INC.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

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	2015	2014
Payments for intangible assets	\$ (34,744)	\$ (80,046)
Proceeds from capital reduction of investments accounted for using equity method	3,697,675	-
Decrease (increase) in other non-current assets	(50,068)	367
Interest received	38,723	18,371
Dividends received	<u>91,575</u>	<u>51,040</u>
Net cash generated from investing activities	<u>4,183,681</u>	<u>943,677</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(1,030,015)	982,015
Repayments of long-term borrowings	(2,229,544)	(1,769,542)
Increase in other payables to related parties	7,026	444
Increase (decrease) in other non-current liabilities	(1,682)	1,712
Acquisition of interests in subsidiaries	-	(873,908)
Interest paid	<u>(62,379)</u>	<u>(105,818)</u>
Net cash used in financing activities	<u>(3,316,594)</u>	<u>(1,765,097)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(67,043)	(976,094)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>791,496</u>	<u>1,767,590</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 724,453</u>	<u>\$ 791,496</u>

(Concluded)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
E Ink Holdings Inc.

We have audited the accompanying consolidated balance sheets of E Ink Holdings Inc. and subsidiaries (the "Corporation") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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 conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of E Ink Holdings Inc. and subsidiaries as of December 31, 2015 and 2014, and the consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the financial statements of E Ink Holdings Inc. as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified opinion.

March 18, 2016

### Notice to Readers

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

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

# E INK HOLDINGS INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 6,582,175	20	\$ 8,124,294	21
Financial assets at fair value through profit or loss	410,217	1	173,358	-
Debt investments with no active market	600,000	2	600,000	2
Notes and accounts receivable	1,548,753	5	2,391,938	6
Accounts receivable from related parties	18,178	-	64,162	-
Other receivables	1,094,066	3	1,397,268	4
Current tax assets	110,575	-	637,923	2
Inventories	1,430,087	4	1,989,398	5
Prepayments	182,348	1	305,555	1
Non-current assets held for sale	1,167,734	3	-	-
Other financial assets	362,080	1	-	-
Other current assets	<u>224,592</u>	<u>1</u>	<u>198,357</u>	<u>-</u>
Total current assets	<u>13,730,805</u>	<u>41</u>	<u>15,882,253</u>	<u>41</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss	-	-	282,799	1
Available-for-sale financial assets	1,674,342	5	2,043,268	5
Financial assets measured at cost	125,924	-	125,924	-
Debt investments with no active market	-	-	600,000	1
Investments accounted for using equity method	53,306	-	49,745	-
Property, plant and equipment	6,497,167	19	9,041,082	23
Goodwill	6,954,923	21	6,858,206	18
Other intangible assets	2,506,907	8	2,817,788	7
Deferred tax assets	1,528,756	5	1,023,992	3
Other non-current assets	<u>353,096</u>	<u>1</u>	<u>228,795</u>	<u>1</u>
Total non-current assets	<u>19,694,421</u>	<u>59</u>	<u>23,071,599</u>	<u>59</u>
<b>TOTAL</b>	<u>\$ 33,425,226</u>	<u>100</u>	<u>\$ 38,953,852</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 100,000	-	\$ 1,796,975	5
Accounts payable	1,014,974	3	1,508,379	4
Accounts payable to related parties	10,520	-	38,106	-
Other payables	1,223,136	4	1,272,817	3
Current tax liabilities	46,271	-	112,455	-
Provisions	734,561	2	53,268	-
Receipts in advance	718,756	2	878,721	2
Current portion of long-term borrowings	2,130,573	7	2,894,548	7
Other current liabilities	<u>58,014</u>	<u>-</u>	<u>557,555</u>	<u>2</u>
Total current liabilities	<u>6,036,805</u>	<u>18</u>	<u>9,112,824</u>	<u>23</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	302,892	1	2,566,020	7
Net defined benefit liabilities	80,363	-	422,643	1
Other non-current liabilities	<u>421,636</u>	<u>1</u>	<u>339,363</u>	<u>1</u>
Total non-current liabilities	<u>804,891</u>	<u>2</u>	<u>3,328,026</u>	<u>9</u>
Total liabilities	<u>6,841,696</u>	<u>20</u>	<u>12,440,850</u>	<u>32</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	<u>11,404,677</u>	<u>34</u>	<u>11,404,677</u>	<u>29</u>
Capital surplus	<u>10,071,578</u>	<u>30</u>	<u>10,071,578</u>	<u>26</u>
Retained earnings				
Legal reserve	1,059,754	3	1,058,406	3
Special reserve	70,678	1	70,678	-
Unappropriated earnings	<u>2,992,433</u>	<u>9</u>	<u>2,487,381</u>	<u>6</u>
Total retained earnings	<u>4,122,865</u>	<u>13</u>	<u>3,616,465</u>	<u>9</u>
Other equity	<u>1,080,691</u>	<u>3</u>	<u>1,540,806</u>	<u>4</u>
Total equity attributable to owners of the Company	26,679,811	80	26,633,526	68
<b>NON-CONTROLLING INTERESTS</b>	<u>(96,281)</u>	<u>-</u>	<u>(120,524)</u>	<u>-</u>
Total equity	<u>26,583,530</u>	<u>80</u>	<u>26,513,002</u>	<u>68</u>
<b>TOTAL</b>	<u>\$ 33,425,226</u>	<u>100</u>	<u>\$ 38,953,852</u>	<u>100</u>

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 13,306,503	100	\$ 13,498,720	100
OPERATING COSTS	<u>9,157,773</u>	<u>69</u>	<u>10,448,854</u>	<u>78</u>
GROSS PROFIT	<u>4,148,730</u>	<u>31</u>	<u>3,049,866</u>	<u>22</u>
OPERATING EXPENSES				
Selling and marketing expenses	538,869	4	504,056	4
General and administrative expenses	2,341,891	17	2,402,306	18
Research and development expenses	<u>1,717,187</u>	<u>13</u>	<u>1,532,446</u>	<u>11</u>
Total operating expenses	<u>4,597,947</u>	<u>34</u>	<u>4,438,808</u>	<u>33</u>
LOSS FROM OPERATIONS	<u>(449,217)</u>	<u>(3)</u>	<u>(1,388,942)</u>	<u>(11)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	127,947	1	148,145	1
Royalty income	2,983,068	22	3,561,145	26
Dividend income	98,531	1	86,019	1
Other income	122,624	1	158,339	1
Interest expense	(86,521)	(1)	(153,031)	(1)
Share of profit or loss of associates and joint ventures	(46,224)	-	(9,998)	-
Net gain (loss) on disposal of investments	99,248	1	(892,569)	(7)
Net gain on foreign currency exchange	197,424	1	23,543	-
Net gain (loss) on fair value change of financial assets at fair value through profit or loss	(56,491)	-	67,472	1
Loss on disposal of property, plant and equipment	(70,629)	(1)	(649)	-
Impairment loss	(119,835)	(1)	(5,296)	-
Other expenses	<u>(52,960)</u>	<u>-</u>	<u>(27,711)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,196,182</u>	<u>24</u>	<u>2,955,409</u>	<u>22</u>
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	2,746,965	21	1,566,467	11
INCOME TAX BENEFIT (EXPENSE)	<u>(317,792)</u>	<u>(3)</u>	<u>375,964</u>	<u>3</u>
NET INCOME FROM CONTINUING OPERATIONS	2,429,173	18	1,942,431	14
LOSS FROM DISCONTINUING OPERATIONS	<u>(1,861,568)</u>	<u>(14)</u>	<u>(1,888,222)</u>	<u>(14)</u>
NET INCOME FOR THE YEAR	<u>567,605</u>	<u>4</u>	<u>54,209</u>	<u>-</u>

(Continued)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (26,514)	-	\$ 41,523	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>2,410</u>	<u>-</u>	<u>2,407</u>	<u>-</u>
	<u>(24,104)</u>	<u>-</u>	<u>43,930</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(110,425)	(1)	\$ 1,014,257	8
Unrealized loss on available-for-sale financial assets	(344,583)	(2)	(121,982)	(1)
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	<u>(1,973)</u>	<u>-</u>	<u>(1,931)</u>	<u>-</u>
	<u>(456,981)</u>	<u>(3)</u>	<u>890,344</u>	<u>7</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(481,085)</u>	<u>(3)</u>	<u>934,274</u>	<u>7</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 86,520</u>	<u>1</u>	<u>\$ 988,483</u>	<u>7</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 539,330	4	\$ 13,476	-
Non-controlling interests	<u>28,275</u>	<u>-</u>	<u>40,733</u>	<u>-</u>
	<u>\$ 567,605</u>	<u>4</u>	<u>\$ 54,209</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 55,761	1	\$ 952,927	7
Non-controlling interests	<u>30,759</u>	<u>-</u>	<u>35,556</u>	<u>-</u>
	<u>\$ 86,520</u>	<u>1</u>	<u>\$ 988,483</u>	<u>7</u>

(Continued)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2015		2014	
	Amount	%	Amount	%
EARNINGS PER SHARE				
From continuing and discontinued operations				
Basic	<u>\$0.47</u>		<u>\$0.01</u>	
Diluted	<u>\$0.47</u>		<u>\$0.01</u>	
From continuing operations				
Basic	<u>\$2.02</u>		<u>\$1.58</u>	
Diluted	<u>\$2.02</u>		<u>\$1.58</u>	

(Concluded)

**E INK HOLDINGS INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company						Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2014	1,140,990	\$ 11,409,897	\$ 10,073,700	\$ 1,055,476	\$ 483,507	\$ 2,130,050	\$ 61,569	\$ 580,782	\$ (25,894)	\$ 25,769,087	\$ (216,972)	\$ 25,552,115
Legal reserve	-	-	-	2,930	-	(2,930)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(412,829)	412,829	-	-	-	-	-	-
Net income for the year ended December 31, 2014	-	-	-	-	-	13,476	-	-	-	13,476	40,733	54,209
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	40,996	1,020,437	(121,982)	-	939,451	(5,177)	934,274
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	-	54,472	1,020,437	(121,982)	-	952,927	35,556	988,483
Retirement of treasury shares	(522)	(5,220)	(4,346)	-	-	(16,328)	-	-	25,894	-	-	-
Partial acquisition of interests in subsidiaries	-	-	2,224	-	-	(90,712)	-	-	-	(88,488)	60,892	(27,596)
BALANCE AT DECEMBER 31, 2014	1,140,468	11,404,677	10,071,578	1,058,406	70,678	2,487,381	1,082,006	458,800	-	26,633,526	(120,524)	26,513,002
Legal reserve	-	-	-	1,348	-	(1,348)	-	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	-	539,330	-	-	-	539,330	28,275	567,605
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(23,454)	(115,532)	(344,583)	-	(483,569)	2,484	(481,085)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	515,876	(115,532)	(344,583)	-	55,761	30,759	86,520
Partial acquisition of interests in subsidiaries	-	-	-	-	-	(9,476)	-	-	-	(9,476)	(6,516)	(15,992)
BALANCE AT DECEMBER 31, 2015	<u>1,140,468</u>	<u>\$ 11,404,677</u>	<u>\$ 10,071,578</u>	<u>\$ 1,059,754</u>	<u>\$ 70,678</u>	<u>\$ 2,992,433</u>	<u>\$ 966,474</u>	<u>\$ 114,217</u>	<u>\$ -</u>	<u>\$ 26,679,811</u>	<u>\$ (96,281)</u>	<u>\$ 26,583,530</u>

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax from continuing operations	\$ 2,746,965	\$ 1,566,467
Loss before income tax from discontinued operations	<u>(2,507,128)</u>	<u>(1,888,222)</u>
Income (loss) before income tax	<u>239,837</u>	<u>(321,755)</u>
Adjustments for:		
Depreciation expenses	1,251,936	1,529,110
Amortization expenses	414,103	433,575
Impairment loss recognized on notes and accounts receivable	20,660	1,773
Net loss (gain) on fair value change of financial assets at fair value through profit or loss	56,491	(67,472)
Interest expense	86,521	153,031
Interest income	(127,947)	(148,145)
Dividend income	(98,531)	(86,019)
Share of loss of associates and joint ventures	46,224	9,998
Net loss (gain) on disposal of property, plant and equipment	70,818	(248)
Net loss (gain) on disposal of investments	(99,248)	892,569
Impairment loss recognized on financial assets	-	5,296
Impairment loss recognized on non-financial assets	264,823	115,093
Write-down (reversal of write-down) of inventories	(822,164)	373,095
Net unrealized loss (gain) on foreign currency exchange	(53,446)	108,250
Changes in operating assets and liabilities		
Financial assets held for trading	-	(26,000)
Notes and accounts receivable	858,874	1,238,140
Accounts receivable from related parties	45,984	(36,386)
Other receivables	(573,668)	(100,859)
Inventories	1,445,147	1,001,440
Prepayments	22,349	14,167
Other current assets	(9,643)	430,291
Accounts payable	(507,761)	(1,011,606)
Accounts payable to related parties	(27,586)	(28,314)
Other payables	(29,074)	(107,530)
Provisions	657,801	9,278
Receipts in advance	(189,880)	(252,914)
Other current liabilities	(500,055)	466,988
Net defined benefit liabilities	<u>(356,564)</u>	<u>57,674</u>
Cash generated from operations	2,086,001	4,652,520
Income tax received (paid)	<u>284,225</u>	<u>(451,057)</u>
Net cash generated from operating activities	<u>2,370,226</u>	<u>4,201,463</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of financial assets at fair value through profit or loss	-	1,500,000
Purchase of available-for-sale financial assets	-	(67,729)
Proceeds on sale of available-for-sale financial assets	26,797	3,440
Proceeds from capital reduction of available-for-sale financial assets	18,923	-

(Continued)



## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Purchase of debt investments with no active market	\$ -	\$ (1,500,000)
Proceeds from repayments of debt investments with no active market	600,000	300,000
Proceeds on sale of financial assets measured at cost	903,318	849,182
Acquisitions of joint ventures	(50,591)	-
Proceeds on sale of associates	91,742	84,918
Payments for property, plant and equipment	(370,152)	(552,611)
Proceeds from disposal of property, plant and equipment	46,514	9,911
Payments for intangible assets	(40,390)	(131,224)
Increase in other financial assets	(362,080)	-
Decrease (increase) in other non-current assets	(24,672)	19,662
Interest received	137,136	129,901
Dividend received	<u>98,531</u>	<u>86,019</u>
Net cash generated from investing activities	<u>1,075,076</u>	<u>731,469</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(1,696,534)	862,078
Repayments of long-term borrowings	(3,099,260)	(2,556,966)
Increase in other non-current liabilities	74,298	70,616
Interest paid	(88,325)	(146,074)
Changes in non-controlling interests	<u>(15,992)</u>	<u>(27,596)</u>
Net cash used in financing activities	<u>(4,825,813)</u>	<u>(1,797,942)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>(161,608)</u>	<u>325,041</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,542,119)	3,460,031
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>8,124,294</u>	<u>4,664,263</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 6,582,175</u>	<u>\$ 8,124,294</u>

(Concluded)

## Appendix 4

### AUDIT COMMITTEE'S REVIEW REPORT

To: The Company's 2016 Annual General Meeting of Stockholders

The Board of Directors has prepared the Company's 2015 business report, financial statements, consolidated financial statements and proposal of earnings distribution. And the accountant Wong, Ya-Ling and Shao, Chih-Ming of 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, consolidated financial statement and proposal of earnings distribution have been reviewed and determined to be correct and accurate by us, so according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report to the 2016 Annual General Meeting of shareholders of the Company.

E INK HOLDINGS INC.

Convener of the Audit Committee: Ten Chung Chen

Date: March 18, 2016

## Appendix 5

### E INK HOLDINGS INC. 2015 EARNINGS DISTRIBUTION STATEMENT

Unit:NTD

Item	Amount (NTD)	Note
<b>Retained earnings at the beginning of this fiscal year</b>	\$2,486,033,022	
Adjustment on retained earnings for Investments under equity method	(21,161,555)	
Actuarial losses/gains on retained earnings	(11,768,176)	
<b>Adjusted retained earnings</b>	<b>\$2,453,103,291</b>	
Plus: After-tax profit of this year	539,329,982	
Deduct: Setting aside 10% legal reserve	(53,932,998)	
<b>Distributable retained earnings of this fiscal year</b>	<b>2,938,500,275</b>	
Item of Allocation		
Shareholders' cash dividends and bonus	536,019,826	Distribute \$0.47
Unappropriated earnings at the end of this fiscal year	\$2,402,480,449	

Chairman: Frank Ko      Manager: Lloyd Chen      Accounting Officer: James Huang

## Appendix 6

### E INK HOLDINGS INC.

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

Article	After Amendment	Before Amendment	Remarks
3	2. A company or business between whom and the Company there are short-term financing needs; provided that <u>the amount of each individual loan is commensurate the total amount of trading between the two companies, and that the amount of such financing facility shall not exceed forty percent of the amount of the net value of the Company.</u> "Short-term" as referred to above shall mean one year or one operating cycle (whichever is longer). The amount of loans as referred to above shall mean the accumulated balances of the Company's short-term financing facilities.	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). The amount of loans as referred to above shall mean the accumulated balances of the Company's short-term financing facilities.	Amending in accordance with the written recommendations made by the Financial Supervisory Commission, whereby inter-firm business transaction, the total amount of the short-term financing facilities and the loan limits for each individual borrower shall be specified in detail.
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;	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;	Amending in accordance with the written recommendations made by the Financial Supervisory Commission, whereby the methods for calculating interest shall be specified

Article	After Amendment	Before Amendment	Remarks
	<p>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.;</p> <p>3. <u>The methods for calculating interest shall not be lower than the Company's short-term borrowing interest rates, and interests shall be paid in installments or by a lump sum payment on the due date.</u></p> <p>4. Impact on the Company's operational risk, financial condition and shareholders' rights; and</p> <p>5. Appraisal report on the value of the collateral.</p>	<p>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.;</p> <p>3. Impact on the Company's operational risk, financial condition and shareholders' rights; and</p> <p>4. Appraisal report on the value of the collateral.</p>	<p>in detail.</p>

## Appendix 7

### E INK HOLDINGS INC.

#### Comparison Table of the Draft Amendment to Rules of Acquisition and Disposal of Assets

Article	After Amendment	Before Amendment	Remarks
12 paragraph 7	7. Methods for accounting treatment Accounting for financial products shall be dealt with in accordance with <u>International Accounting Standards as well as any interpretative letter or regulation published by the competent authorities.</u>	7. Methods for accounting treatment Accounting for financial products shall be dealt with in accordance with Statement of Financial Accounting Standards No. 34 and No. 36.	Amending in accordance with the accounting practice.
13 paragraph 1	1. Before any resolution of consolidation and merger, division, acquisition or share transfer by the Board of Directors, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage <u>after it has been approved by more than half of all audit committee members.</u>	1. Before any resolution of consolidation and merger, division, acquisition or share transfer by the Board of Directors, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.	Amending to comply with Article 6 of the Business Mergers And Acquisitions Act.

## Appendix 8

### 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) F119010 Wholesale of Electronic Materials (limited to the operation outside the area)
  - (3) F219010 Retail Sale of Electronic Materials (limited to the operation outside the area)
  - (4) F113050 Wholesale of Computing and Business Machinery Equipment (limited to the operation outside the area)
  - (5) F213030 Retail Sale of Computing and Business Machinery Equipment (limited to the operation outside the area)
  - (6) F118010 Wholesale of Computer Software (limited to business outside the area)
  - (7) F218010 Retail Sale of Computer Software (limited to the operation outside the area)
  - (8) I301010 Software Design Services (limited to the operation outside the area)
  - (9) CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing (limited to the operation outside the area)
  - (10) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import (limited to the operation outside the area)
  - (11) 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 Audit Committee**

Article 13 The Company shall have 7 to 11 directors and three (3) supervisors, all to be nominated according to the candidate nomination system and then elected at a shareholders' meeting from the nominee list of directors, and all eligible for re-election. The term of office of both directors shall be three years.

At least three (3) 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. 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.

The aggregate shareholding of all directors is governed by the regulations of the regulatory securities authority

Article 13-1 Pursuant to Article 14-4 of the Securities and Exchange Act, the Company shall organize the Audit Committee to perform supervisors' power and duty under the Company Act, the Securities and Exchange Act and other relevant regulations.

The Audit Committee shall comprise all the independent directors.

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 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.

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 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 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 the Audit Committee's review and examination, and present the same at the general shareholders' meeting for adoption in accordance with regulations.

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 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 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.

The twentieth amendment was made on May 3, 2013.

The twenty-first amendment was made on June 18, 2014

The twenty-second amendment was made on June 9, 2015

E INK Holdings Inc.

Frank Ko, Chairman

## Appendix 9

### 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 Financial Supervisory Commission ("FSC").

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, 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.

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, 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 Independent Directors of the audit committee, 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 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. 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.

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 Independent Directors of the audit committee.

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 information reporting website designated by the FSC.
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 information reporting website designated by the FSC 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 information reporting website designated by the FSC 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, investment of a long-term nature 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.

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;

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;

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.

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 Independent Directors of the audit committee 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 resolution passed by one-half or more of the members of audit committee and the Board, and approval in a shareholders meeting. Any objection by the Director which is recorded or presented in writing shall be submitted to each Independent Directors of the audit committee 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.

If the first paragraph has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The term "all audit committee members" and "all directors" used in the preceding paragraph shall mean the actual number of persons currently holding those positions.

## Appendix 10

### E Ink Holdings Inc. Procedures for Acquisition or Disposal of Assets

#### Article 1: Purpose

To protect investors, ensure freedom of information, and strengthen management of acquisition or disposition of assets of E Ink Holdings Inc. (the "Company"), the Procedures for Acquisition or Disposition of Assets (the "Procedures") are thus adopted.

#### Article 2: Governing Rules

The Procedures are enacted pursuant to Article 36-1 of the Securities and Exchange Act (the "Act") and "Regulations Governing the Acquisition and Disposition of Assets by Public Companies" issued by the Financial Supervisory, ROC (the "FSC").

#### Article 3: Scope of Assets

The term "assets" as used in the Procedures includes the following:

1. Stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, house and building, investment real estate, land usage right, inventories of construction enterprises) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

#### Article 4: Definitions

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or transfer of shares in accordance with law:  
Refers to assets acquired or disposed through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or shares acquired

from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 6 of the Company Act.

3. Related party and subsidiary: As defined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipments.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in Mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in Mainland China area.
7. 10% of total asset value: the calculation is based on the total asset value stated in the issuer's most recent individual or separate financial statement(s) that are prepared in accordance with IFRs.
8. Transaction value of 20% of the paid-in capital: where the Company's shares has no par value or the par value is not NT\$10, any reference to 20% of the paid-in capital shall mean 10% of the equity attributable of the stockholders of the parent.
9. The term "all audit committee members" and "all directors" shall mean the actual number of persons currently holding those positions.

#### Article 5: Exclusion of related party

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

#### Article 6: Scope and Limitation of Investment

Limitation of investment in the following items is as follows:

1. Total amount of real property not for business use shall not exceed the Company's shareholders' equity.
2. Total amount of securities investment shall not exceed three times of the Company's shareholders' equity.
3. Total amount of investment in individual securities shall not exceed 1.5 times of the Company's shareholders' equity.
4. Transaction amount for acquisition and disposition of memberships or intangible

assets shall not exceed 50 percent of the Company's shareholders' equity.

5. Total amount of investment in Mainland China area shall not exceed the limitation set by the competent authorities.

Same limitation as to total amount of investment in real property not for business use or securities, as well as limitation on amount of investment in individual securities applies to the Company's subsidiaries.

#### Article 7: Appraisal and Operating Procedures for Acquisition or Disposition of Assets

1. Acquisition or disposition of securities
  - (1) The responsible department should report the reasons for acquisition or disposition of securities in the centralized exchange market or over-the-counter ("OTC") market, transaction target, reference price, etc. to the level in-charge and submit to the department-in-charge for decision in accordance with the Company's internal regulations.
  - (2) As for securities or privately placed securities not acquired or disposed in the centralized exchange market or OTC market, the responsible department should report the reasons for such acquisition or disposition, transaction target, transactional party, transfer price, payment and collection terms and reference price, etc. to the board of directors for resolution. After the board of directors' resolution, the responsible department should report the transaction in accordance with the Company's internal regulations to responsible levels and submit to the department-in-charge for decision.
2. As for acquisition or disposition of real property or other assets, the responsible department should report the reasons for such acquisition or disposition, the target, transactional party, transfer price, payment and collection terms and reference price, etc., in accordance with the Company's internal regulations, to responsible levels and submit to the department-in-charge for decision.

#### Article 8: Procedures of Transactional Terms Determination

1. Method and reference of price determination in assets acquisition or disposition
  - (1) Acquisition or disposition of securities
    1. Price for securities purchased or sold in the centralized exchange market or OTC market should be determined by the fair market price of the securities at the time of transaction.
    2. Price for securities not acquired or disposed in the centralized exchange market or OTC market should be determined by its book value per share, profitability, development potentials, and fair market value at the time of transaction.
  - (2) Acquisition or disposition of other assets should be conducted with price comparison, price negotiation, invitation to tender or other methods.
2. Acquisition or disposal of assets should be done by the responsible department in

accordance with the Company's internal regulations, verified by responsible levels and submitted to the department-in-charge for decision.

Article 9: When the transaction amount of acquisition or disposition of real property or equipments reaches the amount that public announcement and regulatory filing are required, or where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, except that, in the event of acquisition, the appraisal results for acquired assets are higher than actual transaction amounts, or, in the event of disposition, the appraisal results for disposed assets are lower than actual transaction amounts, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 10: Related Party Transaction:

1. When an asset is acquired from or disposed to a related party, in addition that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of the preceding Articles and this



Article, an professional appraiser's appraisal report or a certified public accountant's opinion should be obtained should the transaction amount reaches 10 percent or more of the company's total assets. Calculation of the transaction amount should be conducted in accordance with Article 11-1 of the Procedures.

2. Except for sale or purchase of governmental bonds, bonds under repurchase/resale agreements, and the subscription or redemption of domestic money market funds, when acquiring from or disposing to real property a related party, or acquiring from or disposing to a related party the assets other than real property, in which the actual transaction amount reaches 20 percent of the company's paid-in capital, or 10 percent of the company's total assets, or NT\$300 million, the following information should be submitted for approval by resolution passed by one-half or more of the members of audit committee and the board of directors before executing the deal contracts and making payments (if the above has not been approved with the consent of one-half or more of all audit committee members, it may be undertaken upon the consent of two-thirds or more of all directors and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting):
  - (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
  - (2) The reason for choosing the related party as a trading counterparty.
  - (3) In the case of acquisition of real property from a related party, relevant information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 10 (3) and Article 10 (6).
  - (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
  - (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
  - (6) The professional appraiser's appraisal report or the certified public accountant's opinion obtained in accordance with preceding Article.
  - (7) Restrictive covenants and other important stipulations associated with the transaction.

Calculation of the aforementioned transaction amount should be conducted pursuant to paragraph 2 of Article 14. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly submitted for approval by resolution passed by one-half or more of the members of audit committee and the board of directors need not be counted into the transaction amount.

With respect to the acquisition or disposition of equipment for business use between the Company and its affiliates, the Chairman is authorized to make such

decision, when the transaction amount is within the limit of NT\$300 million, and to submit the acquisition or disposition to the board of directors afterwards.

Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to the first paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

3. Acquiring real property from a related party shall evaluate the reasonableness of the transaction costs by the following means (where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below):
  - (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is calculated as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - (2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
4. When acquiring real property from a related party and appraising the cost of the real property in accordance with preceding requirements, it shall also engage a certified public accountant to reexamine the appraisal and render a specific opinion.
5. When acquiring real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with paragraph 2 of this Article and the preceding two paragraphs do not apply:
  - (1) The related party acquired the real property through inheritance or as a gift.
  - (2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
  - (3) The real property is acquired through signing of a joint development contract with the related party or the contracts for engaging related parties to build on land owned or leased by the Company.
6. When the results of an appraisal conducted in accordance with paragraph 3 of this

Article are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 7 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant have been obtained, this restriction shall not apply:

- (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
  3. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- (2) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
- (3) Completed transactions for neighboring or closely valued parcels of land in subparagraphs 2 and 3 in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.
7. Where acquiring real property from a related party and the results of appraisals conducted in accordance with paragraphs 3 to 6 of this Article are uniformly lower than the transaction price, the following steps shall be taken:

- (1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. A company that has set aside a special reserve under the preceding regulation may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- (2) Independent Directors of the audit committee shall comply with Article 218 of the Company Act.
- (3) Actions taken pursuant to subparagraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (4) Subparagraphs 1 to 3 of this paragraph shall be complied with if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 11: Standards of Consultation with Certified Public Accountant with respect to Acquisition or Disposition of Assets

1. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain in advance financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. If the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the engaged certified public accountant needs to adopt experts' report, it should be done in accordance with the provisions of Statement of Auditing Standards No. 20. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the FSC.
2. Where a company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except for the transactions to be proceeded with governmental agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. The

certified public accountant should follow the provisions of Statement of Auditing Standards No. 20.

3. Where a company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or certified public accountant opinion.

Article 11-1: Calculation of the aforementioned transaction amount should be conducted pursuant to paragraph 2 of Article 14. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly obtained a professional appraiser's report or a certified public account's opinion in accordance with the Procedures need not be counted into the transaction amount.

#### Article 12: Engaging in Derivatives Trading

1. Operating or hedging strategies

When engaging in derivatives trading, it should specify whether it is for trading purpose. Risk hedging should be the primary concern, and sound internal control system shall be established. Trading counterparty should be those financial institutions that with sound operating system or the ones that have business relationships with the Company.

2. Segregation of duties

- (1) Trading department

1. Gather market information, familiarize with derivatives, relevant regulations and risk evaluation.
2. Conduct transaction and risk management within its authorized limit.
3. Provide sufficient and timely information to the Company's senior management personnel, and evaluate profit-loss circumstances periodically.
4. A log book shall be established in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates shall be recorded in detail in the log book.

- (2) Accounting department

1. Confirmation of transaction.
2. Understand the nature of the products, contracts and types of transaction and provide proper registration.
3. Evaluate each department's profits and losses monthly.
4. Prepare periodic financial statements and provide adequate disclosure.

3. Essentials of performance evaluation

- (1) Derivatives trading should be evaluated regularly. The evaluation report should be submitted to the financial chief for verification.
- (2) Performance evaluation should be compared with pre-set evaluation basis on the evaluation date as reference for future decision.

4. Total amount of derivatives contracts that may be traded and the maximum loss limit

on total trading

- (1) Limitation of total amount of derivatives contracts
  1. Not for trading purpose:
    - (1) Transaction for the purpose of avoiding foreign exchange risks: the total contract amount cannot exceed that year's total amount in import and export.
    - (2) Transaction for the purpose of avoiding interest rate risks: the total contract amount cannot exceed total amount of debt.
    - (3) Transaction to avoid foreign exchange rate and interest rate risks resulted from specific case: the total contract amount cannot exceed total amount of the budget of that specific case.
  2. For trading purpose: transaction personnel can proceed transaction within the approved limit for the specific case.
- (2) The maximum loss limit on total trading and for individual contracts is as follows:
  1. Realized and unrealized loss amount in the Company's overall signed derivatives contracts shall not exceed 30 percent of the total contracts amount.
  2. Realized and unrealized loss amount in the Company's individual contracts shall not exceed 30 percent of the that specific contract amount.
5. Operating procedures
  - (1) Confirmation of transactional department
  - (2) Analysis and judgment of relevant trends
  - (3) Determination of methods for risk hedging:
    1. Target of transaction
    2. Transactional department
    3. Target price and range
    4. Strategies and types of transaction
  - (4) Obtaining approval for transaction
  - (5) Executing transaction
    1. Trading counterparty: can only be domestic or overseas financial institutions. If not, consent from financial chief shall be obtained.
    2. Trading personnel: Consent from the financial chief shall be first obtained before personnel dealing with derivatives trading; notification to the financial institutions that the Company has business relationships should also be made. Derivatives trading can only be conducted by these trading personnel.
  - (6) Confirmation of transaction: after trading personnel has completed the transaction, a transaction bill should be filled in and confirmed by the confirmation personnel as to whether the trading terms are in consistent with those on the transaction bill. The bill then should be submitted for approval by

the responsible supervisor.

- (7) Settlement: after the transaction has been confirmed and no mistake identified, settlement shall be made in the agreed price by settlement personnel appointed by the payment unit on the settlement date with whom purchase price brought and related documents prepared.

#### 6. Authorized ceiling

- (1) Authorized ceiling for derivatives trading not for trading purpose is as follows:

Verification personnel	Financial	President	Board of
Total amount of contracts	Chief		Directors
Below USD 2 million	Verification		
USD 2 million . 10 million		Verification	
Above USD 10 million			Verification

- (2) When a company engages in derivatives trading not for trading purpose and authorizes certain personnel in charge of such trading pursuant to the Procedures, it should be reported to the immediately following board of directors afterwards.
- (3) Derivatives trading for trading purpose can only be proceeded after such trading being reported to the board of directors as a specific case and approval obtained.

#### 7. Accounting handling

Accounting handling for financial products should be conducted in accordance with Statements of Financial Accounting Standards No. 34 and No. 36.

#### 8. Internal Control

- (1) Risk management measures

1. Credit risk management: trading counterparty should be mainly the banks with which the Company has business interaction.
2. Market risk management: limited to stock exchange market and OTC transaction.
3. Liquidity risk management: to ensure liquidity, should check with funds personnel before trading whether the transaction would result in insufficient liquidity.
4. Cash flow risk management: to ensure stability of the company's working capital turnover, the Company's funding source for derivatives trading should be limited to equity fund. In determining trading amount, fund needed (based on the upcoming three-month cash flow forecast) should also be taken into consideration.
5. Operating risk management: must comply with authorized ceiling and operating procedures to avoid operating risks.
6. Legal risk management: to avoid legal risks, all documents intended to be entered into with banks can only be executed after being reviewed by legal

department.

(2) Internal control

1. Trading personnel may not serve concurrently in other operations such as confirmation and settlement.
2. Trading personnel should provide those trading certificates or contracts for registration personnel for records.
3. Registration personnel should login or check accounts with trading counterparty regularly.
4. Registration personnel shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated shall be recorded in detail in the log book.
5. Personnel engaging in evaluation, supervision and control of trading risks should not serve concurrently in other operations such as trading, confirmation and settlement. Such personnel should report to the board of directors regularly.

(3) Periodic evaluation

1. The board of directors should designate financial chief to pay continuous attention to monitoring and controlling derivatives trading risk in accordance with the "Implementation Rules for Internal Control." Financial chief should also periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
2. Financial chief should periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Procedures.
3. Risk hedging transaction required by business shall be evaluated regularly.
4. When irregular circumstances are found, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.
5. The Company shall report to the most recent board of directors meeting after it authorizes the relevant personnel to handle derivatives trading in accordance with the Procedures.

9. Internal Audit System

- (1) Internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives pursuant to the "Implementation Rules for Internal Audit." It should conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the Procedures, and prepare an audit report. If any material violation is discovered, all independent directors of



the audit committee shall be notified in writing.

- (2) Internal audit personnel should report to the Securities and Futures Bureau for future reference the aforementioned audit report and improvements on irregular circumstances in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies."

#### Article 13: Mergers and Consolidations, Spin-offs, Acquisitions, and Transfer of Shares

1. The Company conducting a merger, spin-off, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a certified public accountant, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

2. The Company participating in a merger, spin-off, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, spin-off, or acquisition prior to the shareholders meeting and include it along with the expert opinion when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply.

Where the shareholders meeting of the Company fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

3. A company participating in a merger, spin-off, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, spin-off, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, spin-off, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

- (1) Basic identification data for personnel: including the job titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin-off, acquisition, or transfer of another company's shares prior to disclosure of the information.
- (2) Dates of material events: including the signing of any letter of intent or

memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.

- (3) Important documents and minutes: including merger, spin-off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, spin-off, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of paragraph 3 of this Article to the FSC for recordation.

Where any of the companies participating in a merger, spin-off, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4 of this Article.

4. Every person participating in or privy to the plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, spin-off, acquisition, or transfer of shares.
5. A company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or transfer of shares:
  - (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
  - (2) An action, such as a disposal of major assets, that affects the company's financial operations.
  - (3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - (4) An adjustment where any of the companies participating in the merger, spin-off, acquisition, or transfer of shares from another company, buys back treasury stock.
  - (5) An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.
  - (6) Other terms/conditions that the contract stipulates may be altered and that

have been publicly disclosed.

6. The contract for participation in a merger, spin-off, acquisition, or of shares shall record the relevant rights and obligations and shall also specify the following:
  - (1) Handling of breach of contract.
  - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is spin-offed.
  - (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  - (4) The manner of handling changes in the number of participating entities or companies.
  - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
  - (6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
7. After public disclosure of the information, if the Company participating in the merger, spin-off, acquisition, or share transfer intends further to carry out a merger, spin-off, acquisition, or share transfer with another company, it shall carry out anew the procedures or legal actions that had originally been completed toward the merger, spin-off, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such company may be exempted from calling another shareholders meeting to resolve on the matter anew.
8. Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by paragraphs 3, 4 and 7 of this Article.

#### Article 14: Procedures for Disclosure of Information

1. Under any of the following circumstances, a company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:
  - (1) Acquired or disposed real property from a related party, or acquiring or disposing assets other than real property from a related party in which transaction amount reaches 20 percent of the company's paid-in capital, or 10 percent of the company's total assets, or NT\$300 million. However, trading of government bonds and trading of bonds under repurchase / resale agreements, subscription or redemption of domestic money market funds shall not apply.

- (2) Merger, spin-off, acquisition, or transfer of shares.
  - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures.
  - (4) Where an asset transaction other than any of those referred to in the preceding three subparagraphs, or a disposal of receivables by a financial institution, or engage in investment in Mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
    1. Trading of government bonds.
    2. Trading of bonds under repurchase / resale agreements or subscription or redemption of domestic money market funds..
    3. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
    4. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount is less than NT\$500 million (based on the company's expected input amount).
2. The amount of transactions above shall be calculated as follows:
    - (1) The amount of any individual transaction.
    - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
    - (3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
    - (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
  3. "Within the preceding year" as used in preceding paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.
  4. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

5. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.
6. The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and certified public accountant, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.
7. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:
  - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
  - (2) The merger, spin-off, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - (3) Change to the originally publicly announced and reported information.

#### Article 15: Management of Subsidiaries

1. If the Company's subsidiary is a public company, the subsidiary should prepare its "Procedures for Acquisition or Disposition of Assets" in accordance with relevant regulations. After being passed in board of directors resolution, the procedures should be reported in shareholders' meeting in both the Company and the subsidiary. The same applies when the procedures are amended.
2. When the assets acquired or disposed by a non-public company that is owned more than 50 percent of voting rights by the Company directly or indirectly via subsidiary reach the amount that a public announcement and regulatory filing are required, the Company should also make the required public announcement, regulatory filing or carbon copy to competent authorities.

The standard of "reaching 20 percent of paid-in capital or 10 percent of the total assets " for the subsidiary making announcement and filing should be calculated based on the Company's paid-in capital or total assets.

Article 16: When personnel violates the Procedures or other related regulations, the Company may impose penalties such as warning, demerit, demotion, suspension, remuneration decrease or other penalties depending on seriousness of the incidents. Such violation should also be served as internal discussion matters.

Article 17: For matters not mentioned in the Procedures, related regulations and other internal rules of the Company should govern.

Article 18: After the Procedures have been approved by resolution passed by one-half or more of

the members of audit committee and the board of directors, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each independent director of audit committee.

Where the position of independent director has been created in accordance with the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

If the first paragraph has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

## Appendix 11

### 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 12

### INFORMATION REGARDING REMUNERATION TO DIRECTORS AND EMPLOYEES

The details of the remuneration of Directors and employees approved by the Board of Directors on March 18, 2016 are set forth as follows, which will be conducted pursuant to the relevant rules upon the resolution passed at the general meeting on June 22, 2016.

	Employees Bonuses (Cash)	Remuneration to Directors	Total
Amount Approved by the Board of Directors	6,500,000	6,000,000	12,500,000
Amount Showed in the 2015 Annual Financial Statements	6,500,000	6,000,000	12,500,000
Discrepancy	The distribution amount approved by the Board of Directors is the same as listed on the accounts.		

## Appendix 13

### 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 14

### E INK HOLDINGS INC.

#### List of Directors

Record Date: April 24, 2016

Position	Name		Date of Election/ Assumption of Office	Number of Shares on Date of Election			Current Number of Shares			Remark
				Type	Number of Shares	%	Type	Number of Shares	%	
Chairman	Frank Ko	The representative of YFY Inc.	June 18, 2014	Common Stock	133,472,904	11.70%	Common Stock	133,472,904	11.7%	
Director	Chuang-Chuang Tsai		June 18, 2014							
Director	Chin- Yuan Chang		June 18, 2014							
Director	Johnson Lee	The representative of Aidatek Electronics, Inc.	June 18, 2014	Common Stock	100,000	0.01%	Common Stock	100,000	0.01%	
Director	Show-Chung Ho		June 18, 2014							
Director	Felix Ho		June 18, 2014							
Independent Director	Ten-Chung Chen		June 18, 2014	Common Stock	0	0.00%	Common Stock	0	0.00%	
Independent Director	Bing- Seng Wu		June 18, 2014	Common Stock	278	0.00%	Common Stock	278	0.00%	
Independent Director	Chao-Tung Wen		June 18, 2014	Common Stock	0	0.00%	Common Stock	0	0.00%	
Total					133,573,182	11.71%		133,573,182	11.71%	

Total issued shares as of April 24, 2016: 1,140,467,715 shares.

Note: The number of shares legally required to be held by all Directors: 40,000,000 shares; as of April 24, 2016, all Directors held 133,572,904 shares  
The shares held by the Independent Directors will not be counted as the number of shares held by the Directors.