

Code: 8069



# **E INK HOLDINGS INC.**

## **2011 ANNUAL GENERAL MEETING OF STOCKHOLDERS**

### **MEETING MANUAL**

Date: June 24, 2011

Venue: 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.**  
**2011 ANNUAL GENERAL MEETING OF STOCKHOLDERS**  
**MEETING AGENDA**

Date and Time: June 24<sup>th</sup>, 2011 (Fri) at 9 a.m. Taipei Time

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

Meeting Procedure:

1. Announcement of the Commencement
2. Chairman's Opening Remarks
3. Report Items:
  - (1) To report the 2010 business and financial status of the Company
  - (2) To report the Supervisors' review report for the 2010 audited financial statements of the Company
  - (3) To report the status of the Company's indirect investment in the Mainland China in 2010 through third region investment entities
  - (4) To report the status of the lending and endorsement/guarantee by the Company and its subsidiaries in 2010
  - (5) To report the amendment to the Rules of Board of Directors Meeting of the Company
  - (6) To report the status of treasury stock repurchase of the Company in 2010
4. Adoption Items:
  - (1) To adopt the 2010 financial statements of the Company
  - (2) To adopt the proposal for 2010 earnings distribution of the Company
5. Discussion and Election Items:
  - (1) To amend the Company's Article of Incorporation.
  - (2) To elect 7 Directors, 2 Independent Directors and 3 Supervisors of the 8th term
  - (3) To release newly elected directors and their representatives from non-compete restrictions
6. Any Other Business
7. Announcement of Adjournment

## Report Items:

### 【Item 1】

(Proposed by Board of Directors)

Subject: To report the 2010 business and financial status of the Company

Explanatory Note:

- (1) In 2010, the Company has the net sales of NT\$17,016,427,000, the pre-tax income of NT\$4,224,978,000, the income tax of NT\$197,000,000, the net income of NT\$4,027,978,000 and the after-tax earnings per share of NT\$3.81.
- (2) The business report and the relevant financial statements of the Company are attached hereto as Appendixes 1 and 2 of the Meeting Manual.
- (3) Please kindly note.

### 【Item 2】

(Proposed by Supervisors)

Subject: To report the Supervisors' review report for the 2010 audited financial statements of the Company

Explanatory Note:

- (1) The 2010 financial statements of the Company have been audited by the CPA and, with the business report of the Company, reviewed by the Supervisors. The 2010 audited financial statements of the Company and the Supervisors' review report of the 2010 audited financial statements are attached hereto as Appendixes 1, 2 and 3 of the Meeting Manual.
- (2) Supervisors will read out the review report of the 2010 audited financial statements of the Company.
- (3) Please kindly note.

### 【Item 3】

(Proposed by Board of Directors)

Subject: To report the status of the Company's indirect investment in the Mainland China in 2010 through third region investment entities

Explanatory Note:

- (1) The status of the Company's indirect investment in the Mainland China in 2010 through the third region investment entities is as follows:

No.	Invested Company	Method of Investment	Amount of Investment
1	Transcend Optronics (Yangzhou) Co., Ltd.	By way of the indirect investment in the Mainland China through	US\$28,000,000

No.	Invested Company	Method of Investment	Amount of Investment
		third region investment entities	
2	Yangzhou Qifu Electronics Corp.	By way of the indirect investment in the Mainland China through third region investment entities	US\$2,945,000
3	Yangzhou Qidi Electronics Corp.	By way of the indirect investment in the Mainland China through third region investment entities	US\$2,946,000
4	TransYang Electronics (Yangzhou) Ltd.	By way of the indirect investment in the Mainland China through third region investment entities	US\$4,000,000

(2) Please kindly note.

**【Item 4】**

(Proposed by Board of Directors)

Subject: To report the status of the lending and endorsement/guarantee by the Company and its subsidiaries in 2010

Explanatory Note:

(1) Endorsement/Guarantee

No.	Endorsor/Guarantor	Endorsee/Guarantee	Balance as of the End of 2010
1	E Ink Holdings Inc.	Transcend Optronics (Yangzhou) Co., Ltd.	US\$10,000,000
2	E Ink Holdings Inc.	Rich Optronics (Yangzhou) Co., Ltd.	US\$1,000,000
3	E Ink Holdings Inc.	E Ink Corporation	US\$3,000,000
4	Transcend Optronics (Yangzhou) Co., Ltd.	Ultraview Technology Ltd.	RMB13,000,000
5	Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated Photoelectric Co., Ltd.	RMB1,000,000
6	Rich Optronics (Yangzhou) Co., Ltd.	Transcend Optronics (Yangzhou) Co., Ltd.	US\$32,300,000 RMB2,000,000
7	Yuen-Yu Investment Co., Ltd.	E Ink Holdings Inc.	NT\$8,000,000,000
8	Yuen-Yu Investment Co., Ltd.	Tech Smart Logistics Ltd.	US\$20,000,000

(2) Lending

No.	Lender	Borrower(s)	Balance as of the End of 2010
1	E Ink Holdings Inc.	Hydis Technologies Co., Ltd.	US\$17,000,000
2	E Ink Holdings Inc.	E Ink Corporation.	US\$5,000,000
3	PVI Global Corp.	Tech Smart Logistics Ltd.	US\$14,445,000
4	Transcend Optronics (Yangzhou) Co.	Ultraview Technology Ltd.	RMB42,400,000
5	Transcend Optronics (Yangzhou) Co.	Yangzhou Huaxia Integrated Photoelectric Co., Ltd.	RMB52,000,000
6	Transcend Optronics (Yangzhou) Co.	Yangzhou Effect Media International Investment Corp.	RMB6,710,000
7	Rich Optronics (Yangzhou) Co.	Yangzhou Huaxia Integrated Photoelectric Co., Ltd.	RMB48,100,000
8	Rich Optronics (Yangzhou) Co.	Ultraview Technology Ltd.	RMB10,000,000
9	Qidi Electronic (Yangzhou) Corp.	Yangzhou Huaxia Integrated Photoelectric Co.	RMB17,500,000
10	Qifu Electronic (Yangzhou) Corp.	Yangzhou Huaxia Integrated Photoelectric Co.	RMB17,500,000

(3) Please kindly note.

**【Item 5】**

(Proposed by Board of Directors)

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

Explanatory Note:

- (1) As meeting administration unit for the Board of Directors has been changed from Accounting Department to Legal Affairs Division, Article 5 of Rules of the Board of Directors Meeting of the Company shall be amended accordingly.
- (2) The comparison table of the amendment to the Rules of Board of Directors Meeting is as follows:

Article	After Amendment	Before Amendment	Remark
5	The meeting administration unit appointed by the Board of Directors of the Company shall be the Legal Affairs Division.	The meeting administration unit appointed by the Board of Directors of the Company shall be the Accounting Department.	Amended due to the transfer of function

(3) Please kindly note.

**【Item 6】**

(Proposed by Board of Directors)

Subject: To report the status of treasury stock repurchase of the Company in 2010

Explanatory Note:

- (1) The status table of treasury stock repurchase of the Company in 2010 is attached hereto as Appendix 4 on the page 33 of the Meeting Manual.
- (2) Please kindly note.

## **Adoption Items:**

### **【Item 1】**

(Proposed by Board of Directors)

Subject: To adopt the 2010 financial statements of the Company

Explanatory Note:

- (1) The 2010 financial statements of the Company have been audited by the CPA, reviewed by the Supervisors, and are considered to be correct. The relevant documents are attached hereto as Appendixes 1, 2 and 3 of the Meeting Manual.
- (2) Please kindly adopt.

Resolution:

### **【Item 2】**

(Proposed by Board of Directors)

Subject: To adopt the proposal for 2010 earnings distribution of the Company.

Explanatory Note:

- (1) The Company's after-tax net income in 2010 is NT\$4,027,977,797, and, after the legal reserve of NT\$402,797,780 and the special reserve of NT\$704,456,496 have been set aside, the distributable retained earnings is NT\$2,920,723,521.
- (2) The 2010 earnings distribution is proposed pursuant to the Company's Article of Incorporation as follows:
  1. Shareholders' dividends are NT\$0.5 per share in cash, and the total amount is NT\$539,141,315.
  2. Shareholders' bonuses are NT\$2.16 per share in cash, and the total amount is NT\$2,329,090,481.
  3. The shareholders' dividends plus the shareholder's bonus are NT\$2.66 per share, and the total amount is NT\$2,868,231,796.
- (3) The 2010 remuneration to Directors and Supervisors is proposed as NT\$24,608,283 in total, and the employees cash bonuses are proposed NT\$124,284,256 in total. However, the remuneration to Directors and Supervisors and the employees bonuses shall be booked as operating expense, not earning distribution.
- (4) Shareholders' dividends and shareholders' bonuses shall be paid to the shareholders who are recorded in the register on the ex-date and shall be paid in proportion to the shares held by the shareholders (rounded to the unit).
- (5) Where the ratio of shareholders' dividends is affected by the change of total amount of outstanding shares due to treasury stock repurchase of the Company



or the implementation of employee stock option, or affected by the waiver of the rights of shareholders' dividends and shareholders' bonuses, it is proposed to authorize the Board of Directors to adjust the ratio of shareholders' dividends.

(6) The 2010 earnings distribution table is attached hereto as the Appendix 5 of the Meeting Manual.

(7) Please kindly adopt.

Resolution:

## **Discussion and Election Items:**

### **【Item 1】**

(Proposed by Board of Directors)

Subject: To amend the Company's Article of Incorporation.

Explanatory Note:

- (1) To meet the business need of the Company, it is proposed to amend some articles of the Articles of Incorporation.
- (2) The comparison table of the Articles of Incorporation is attached hereto as the Appendix 6 on page 35 of the Meeting Manual.
- (3) Please kindly discuss.

Resolution:

### **【Item 2】**

(Proposed by Board of Directors)

Subject: To elect 7 Directors, 2 Independent Directors and 3 Supervisors for the 8th term.

Explanatory Note:

- (1) The 3-year term of the Directors and Supervisors for the 7th term shall have expired on June 12, 2011. For the re-election of Directors and Supervisors at the 2011 annual general meeting of stockholders, the term of the Directors and Supervisors for the 7th term shall be extended until the time that the re-election is completed.
- (2) According to the Articles of Incorporation, the Company shall elect 7 Directors, 2 Independent Directors and 3 Supervisors for a 3-year term commencing from June 24, 2011 to June 23, 2014.
- (3) The nominee list of 2 Independent Directors for the 8th term is attached hereto as the Appendix 7 on page 38 of the Meeting Manual.
- (4) Please kindly elect.

Result:

### **【Item 3】**

(Proposed by Board of Directors)

Subject: To release newly elected Directors and their representatives from non-compete restrictions.

Explanatory Note:

- (1) This item is proposed pursuant to Article 209 of the Company Act, which provides that a director, who does anything for himself or on behalf of another

party that falls within the scope of the company's business, shall explain to the company's shareholders the essential contents of such act and secure their approval.

- (2) Where any newly elected Director for the 8th term, including corporate director and its representative, encounters the condition mentioned above, it is proposed to release the Director and its representative from non-compete restrictions set forth in article 209 of the Company Act.
- (3) Please kindly discuss.

Resolution:

**Any Other Business:**

## Appendix 1

### 2010 BUSINESS REVIEW

Global economic recovery in 2010 drove the rapid growth in the market of portable electronic devices. The shipping quantity of EIH's electronic paper displays (EPD) has kept increasing because of the decrease of material costs and the enhancement of yield and manufacturing efficiency. The profit-oriented strategy for the TFT-LCD business with focus on the niche markets has been proven to be effective. The rising demand for the FFS wide view angle technology also stimulate the relevant business. Apart from the growth in business performance, the gross profit margin in 2010 was maintained above the industry average. The revenue reached a highest record of NT\$25.2 billion, and the net income reached NT\$4.028 billion with the earnings per share of NT\$3.81.

In 2010, we saw the shipping quantity of our EPD had a triple growth, and most customers' inventory was even depleted by the end of the year, indicating that supply did not meet demand. The reason for such situation may be as follows:

- (1) After our new EPD product, E Ink Pearl™, entered the market in the third quarter of 2010, a large number of highly favorable reviews has led to an enthusiasm in the market.
- (2) New markets and customers, such as Europe, China, Russia and other emerging areas, have continuously been developed.
- (3) The e-reader prices have been reduced to an acceptable level for most customers (US\$139-149 for the WiFi models and US\$179-189 for the 3G models).
- (4) The time of iPad usage for reading e-books remained in a small proportion, according to a report of Nelson in the 4th quarter of 2010. Moreover, 40% of iPad users also bought a Kindle for reading, according to a JP Morgan report in December 2010.

Regarding TFT-LCD, we continued developing niche markets to avoid the cut-throat competition in the consumer product markets. In the second half of 2010, EPD manufacturing capacity was maximized after the outsourcing of module production. The outsourcing and the development of new solutions also supported the steady growth in the TFT-LCD business.

There was also strong increase in demand for FFS wide viewing angle technology. Owing to the demand, Hydis has changed its focus from TN to FFS products in the third quarter of 2010, turned loss into profit in the fourth quarter, and further boosted the parent company's profitability.

### Key Developments in 2011

A report of IMS Research forecasted that in 2011 the global sales of e-readers (excluding tablet PCs such as iPad2) will reach 23.5 million units, with North America remaining the major market. In this opinion, the North America market will keep growing steadily, while the markets of Japan, Europe and Russia will enter the rising period. Furthermore, the demand for small to medium-sized displays

(10.1 inches or smaller) in consumer electronic product market tends to focus on the high-end FFS wide viewing angle technology, So it is expected that Hydis' sales will also have an explosive growth.

E Ink's business strategies for this year are as follows:

(1) Continue to reduce EPD and relevant costs:

Lowering EPD costs to achieve a win-win situation for us and our customers is always our task of highest significance. The sale of e-readers in the consumer product market achieved an outstanding result in 2010, and the prices gradually went down to a level acceptable to the average consumers. This achievement was partly contributed by our endless efforts to reduce the costs of EPD. In 2011, EIH will continue to increase the purchase of 6-inch TFT back panels, improve the material yield, and reduce production time in order to lower production costs. EIH will also strengthen cooperation with customers and SOC suppliers to speed up the introduction of system-on-chip (SOC) solutions. This will further lower the e-reader costs and help increase the competitiveness of customers' e-reader products to achieve the goal of boosting sales.

(2) Production capacity development strategy

With the sale of e-readers exploding in 2010, EIH will adopt appropriate measures this year to increase production capacity. Together with our material suppliers, we will invest substantially in human resources and capital expenditure to expand EIH's e-paper production capacity. EIH will not only continue to utilize both its own and Hydis' production capacity, but also actively engage in cooperation with other fabs in order to satisfy enormous demand and enhance our competitiveness in the market. Apart from seeking cooperation or outsourcing in developing TFT back panel production, we also plan to increase the module assembly capacity by expanding internal production and cooperating with our business partners to speed up the rising of production capacity and improve our responses to the market.

(3) Environmental improvement, manufacturing improvement and increasing staff productivity

With the increasing demands, EIH invests heavily in improving the environment of its facilities to better employees' quality of life, as well as enhancing employees' stability. This strategy has been proven very successful to date. EIH also invests heavily in production line improvement and automation to further improve the product quality and shortens the manufacturing time. These measures are also proven most effective.

(4) Developing and promoting cutting-edge display technology

EIH is the only stable supplier of EPD products in the market. In 2010, EIH's e-paper products was proven to be the market's best EPD technology with more than 90% market share of the e-reader market. In 2010 EIH introduced the faster E Ink Pearl™ e-paper which was quickly adopted by customers and had an excellent sale in the end-user market. Regarding color EPD, EIH launched the E Ink Triton™ e-paper in November last year. In 2011 we will continue to develop cutting-edge color EPD technology in order to keep ahead

of our competitors.

With the touch function becoming an essential feature of EPD, EIH will provide solutions for touch technology, such as capacitive touch screen and digital pen, to enhance e-reader's functionality. EIH's R&D team is also working on a new generation flexible EPD to significantly expand the marketing of application.

(5) Enhancement of solutions for EPD peripherals

The solutions of the upstream/downstream products and peripherals are also key elements of the e-reader market. Together with developing EPD technology, EIH will also keen to form strategic alliances with players in these industries and to engage in technological cooperation with key component suppliers, thus together developing a broad and comprehensive e-reader market. Entering into these alliances will also increase its revenue and profit. In 2010 the IC suppliers has gradually finished their designs and verifications. After the e-reader hardware manufacturers begin incorporating the new ICs into the design of their next generation e-reader in 2011, the prices will be even more competitive and the functionality will be greatly enhanced.

(6) Continuous promotion of FFS wide viewing angle technology and plan for capacity expansion and the application market

With the characters of low energy consumption, wide viewing angle and the viewability in bright light, FFS wide viewing angle technology are currently the best of TFT-LCD display technologies for smart phone and tablet PCs. EIH will utilize Hydis' G3.5/G3.0 facilities to produce high-end products of 4 inches or smaller for use in smart phones. EIH will also purchase TFT-LCD glasses manufactured by the partner's fabs of G5 or above for the products of 7 inches or larger used in tablet PCs. This approach will lower costs, improves competitiveness and will be effective in developing the consumer market of small to medium-sized products.

(7) Continuous promotion of TFT-LCD applications and development of high margin markets

Regarding TFT-LCD products, we will exercise a strategy of fast delivery, product completeness and customization for specific applications. We aim to build genuine, value-added and trustworthy cooperative relationships with our customers in the applications market and form a strong basis for our long-term and thorough cultivation of the applications market. We will avoid price wars over low margin products, sustain profitability and develop high margin markets in sectors such as aviation, navigation, agricultural machinery, industrial control, medicine and entertainment.

## **Outlook**

EIH is well equipped with talent, technology, resources and experience. In the market for small to medium-sized products, we have many years' experience and will continue to be the leader in the e-reader market and actively develop the applications market for EPD and FFS wide viewing angle technology.

Small and medium-size products are prevalent in our daily lives. Portable

electronics products can be seen everywhere, among which the e-reader has a market in tens of millions and where growth is still estimated to be tripled. FFS wide viewing angle technology is already used in consumer markets for applications of smart phones and tablet PCs led by iPad and iPhone. FFS has become the most advanced EPD technology available.

Everyone in the company will keep striving to reduce costs and advance its technologies, as well as maximizing the benefits for the customers and shareholders. EIH has been deeply involved in the EPD industry for years. Not only do we have the ability to develop remarkable products, but we possess both key technologies and manufacturing ability. As we continue to develop market applications and new technology, we will also move forward with vertical integration and seek strategic partners for cooperation.

EIH will rely on its key technology and global marketing strategy to maintain its position as a leader in the e-reader market. It will also concentrate on developing TFT-LCD products and FFS wide viewing angle products to seize the dominance in the market. These strategies will enable EIH to engage in much larger scale of business and will increase its profits. We will take all actions necessary to ensure that EIH will continue to be a leader in the EPD industry.

Chairman: Su-Cheng Liu

Managing Officer: Yow-Shiuan Fu

Accounting Officer: Shen-Hwa Chang



## Appendix 2

### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of E Ink Holdings Inc. (the "Corporation") as of December 31, 2010 and 2009, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of BOE Mobile Display Technology Co., Ltd., as of December 31, 2010 and the financial statements of Beijing BOE Optoelectronics Technology Co., Ltd. and BOE Mobile Display Technology Co., Ltd., as of December 31, 2009, the investments in which the Corporation had equity-method investments by Yuen Yu Investment Co., Ltd. The investments amounted to NT\$153,551 thousand and NT\$2,742,034 thousand as of December 31, 2010 and 2009, respectively, which accounted for about 0.4% and 9.5%, respectively, of the Corporation's total assets, respectively. The Corporation's equity of NT\$7,948 thousand in their net loss in 2010 and equity of NT\$61,712 thousand in their net income in 2009 were about 0.2% and 6.1%, respectively, of the Corporation's income (loss) before income tax. These investees' financial statements were audited by other auditors whose reports have been furnished to us, and, our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of E Ink Holdings Inc. as of December 31, 2010 and 2009, and the results of its operation and its cash flow for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the financial statements, effective January 1, 2009, the Corporation adopted the newly revised Statement of Financial Accounting Standards No. 10 "Inventories."

We have also audited the consolidated financial statements of E Ink Holdings Inc. and subsidiaries as of and for the year ended December 31, 2010 and have expressed a modified unqualified opinion on those statements in our report dated February 15, 2011.

February 15, 2011

# E INK HOLDINGS INC.

**BALANCE SHEETS**  
**DECEMBER 31, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010		2009		LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 3,155,562	9	\$ 1,228,929	4	Short-term bank loans (Note 8)	\$ 2,005,582	6	\$ 4,349,350	15
Notes and accounts receivable, net of allowance for doubtful accounts of \$5,400 thousand and \$17,010 thousand in 2010 and 2009 (Note 2)	510,192	2	1,645,483	6	Short-term bills payable	-	-	199,853	1
Receivables from related parties (Notes 2 and 15)	4,626,272	13	1,174,747	4	Financial liabilities at fair value through profit or loss (Note 2)	12,149	-	24,169	-
Other receivables - related parties (Note 15)	668,208	2	1,139,203	4	Accounts payable	730,932	2	198,950	1
Inventories (Notes 2, 3 and 5)	2,601,074	7	1,075,984	4	Payables to related parties (Note 15)	5,685,298	16	1,632,607	5
Prepayments (Note 15)	419,334	1	994,495	3	Income tax payable (Notes 2 and 12)	64,877	-	81,545	-
Deferred income tax assets - current (Notes 2 and 12)	91,168	-	198,001	1	Accrued expenses	585,435	2	498,648	2
Other current assets	27,450	-	49,025	-	Payables to contractors and equipment suppliers	175,375	1	31,113	-
Total current assets	<u>12,099,260</u>	<u>34</u>	<u>7,505,867</u>	<u>26</u>	Current portion of long-term liabilities (Notes 2 and 9)	1,903,030	5	1,476,260	5
					Other current liabilities	22,943	-	14,403	-
<b>INVESTMENTS</b>					Total current liabilities	<u>11,185,621</u>	<u>32</u>	<u>8,506,898</u>	<u>29</u>
Investments accounted for by the equity method (Notes 2 and 6)	20,801,384	59	19,038,996	66	<b>OTHER LIABILITIES</b>				
Available-for-sale financial assets (Note 2)	128,447	1	123,195	-	Deferred credits (Notes 2 and 15)	92,965	-	116,396	1
Financial assets carried at cost (Note 2)	93,467	-	27,601	-	Guarantee deposits received	132	-	126	-
Total investments	<u>21,023,298</u>	<u>60</u>	<u>19,189,792</u>	<u>66</u>	Total other liabilities	<u>93,097</u>	<u>-</u>	<u>116,522</u>	<u>1</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 9)</b>					Total liabilities	<u>11,278,718</u>	<u>32</u>	<u>8,623,420</u>	<u>30</u>
Cost					<b>CAPITAL STOCK</b>				
Buildings	2,427,237	7	2,426,707	8	Common stock at par value of NT\$10.00				
Machinery and equipment	6,315,949	18	6,244,164	22	Authorized: 2,000,000 thousand shares;				
Other equipment	1,098,817	3	1,018,835	4	Issued and outstanding:				
Total cost	9,842,003	28	9,689,706	34	- 2010: 1,077,560 thousand shares	10,775,602	31	9,575,406	33
Less: Accumulated depreciation	8,147,884	23	7,758,300	27	- 2009: 957,541 thousand shares	171	-	9,254	-
	1,694,119	5	1,931,406	7	Advance receipts for common stock				
Construction in progress and prepayments for equipment	21,974	-	39,830	-	Total capital stock	<u>10,775,773</u>	<u>31</u>	<u>9,584,660</u>	<u>33</u>
Net property, plant and equipment	<u>1,716,093</u>	<u>5</u>	<u>1,971,236</u>	<u>7</u>	<b>CAPITAL SURPLUS</b>				
<b>INTANGIBLE ASSETS (Note 2)</b>	<u>46,589</u>	<u>-</u>	<u>58,191</u>	<u>-</u>	Additional paid-in capital from share issuance in excess of par value - common stock	9,065,424	26	6,178,342	21
<b>OTHER ASSETS</b>					Additional paid-in capital from share issuance in excess of par value - bond conversion	525,200	2	1,640,657	6
Assets leased to others, net of accumulated depreciation of \$257,770 thousand in 2010 and \$206,310 thousand in 2009 (Notes 2 and 14)	42,884	-	94,344	1	From long-term investments	150,800	-	120,357	1
Deferred charges, net (Note 2)	131,964	1	41,937	-	Employee stock options	22,896	-	3,509	-
Deferred income tax assets - noncurrent (Notes 2 and 12)	38,329	-	50,425	-	Equity component of convertible bonds	-	-	2,220	-
Others, net of accumulated depreciation of \$216,557 thousand in 2010 and \$189,202 thousand in 2009 (Notes 2, 10 and 14)	43,916	-	63,859	-	Convertible preferred stock	-	-	3,877,577	13
Total other assets	<u>257,093</u>	<u>1</u>	<u>250,565</u>	<u>1</u>	Total capital surplus	<u>9,764,320</u>	<u>28</u>	<u>11,822,662</u>	<u>41</u>
<b>TOTAL</b>	<u>\$35,142,333</u>	<u>100</u>	<u>\$28,975,651</u>	<u>100</u>	<b>RETAINED EARNINGS (ACCUMULATED DEFICIT)</b>				
					Unappropriated earnings (accumulated deficit)	4,027,978	11	(1,408,095)	(5)
					<b>OTHER EQUITY</b>				
					Cumulative translation adjustments	(662,221)	(2)	34,573	-
					Unrealized gain (loss) on financial instruments	(42,235)	-	318,431	1
					Total other equity	<u>(704,456)</u>	<u>(2)</u>	<u>353,004</u>	<u>1</u>
					Total shareholders' equity	<u>23,863,615</u>	<u>68</u>	<u>20,352,231</u>	<u>70</u>
					<b>TOTAL</b>	<u>\$35,142,333</u>	<u>100</u>	<u>\$28,975,651</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated February 15, 2011)

## E INK HOLDINGS INC.

### STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 15)	\$17,892,401	105	\$13,258,204	102
SALES RETURNS AND ALLOWANCES	<u>875,974</u>	<u>5</u>	<u>279,656</u>	<u>2</u>
NET SALES	17,016,427	100	12,978,548	100
COST OF SALES (Notes 3, 5, 14 and 15)	<u>13,719,328</u>	<u>81</u>	<u>11,377,530</u>	<u>88</u>
	3,297,099	19	1,601,018	12
REALIZED INTERCOMPANY GAIN (Notes 2 and 15)	<u>184</u>	<u>-</u>	<u>94</u>	<u>-</u>
GROSS PROFIT	<u>3,297,283</u>	<u>19</u>	<u>1,601,112</u>	<u>12</u>
OPERATING EXPENSES (Notes 14 and 15)				
Selling expenses	117,497	1	82,358	-
General and administrative expenses	276,353	2	226,592	2
Research and development expenses	<u>432,870</u>	<u>2</u>	<u>366,230</u>	<u>3</u>
Total operating expenses	<u>826,720</u>	<u>5</u>	<u>675,180</u>	<u>5</u>
OPERATING INCOME	<u>2,470,563</u>	<u>14</u>	<u>925,932</u>	<u>7</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 15)	42,053	-	22,318	-
Investment income recognized under the equity method (Note 6)	1,812,507	11	-	-
Gain on disposal of property, plant and equipment (Note 15)	23,247	-	34,993	-
Rental revenue	61,631	1	61,845	1
Gain on bad debt recoveries	11,610	-	-	-
Valuation gain on financial asset	12,020	-	-	-
Others	<u>41,451</u>	<u>-</u>	<u>5,378</u>	<u>-</u>
Total nonoperating income and gains	<u>2,004,519</u>	<u>12</u>	<u>124,534</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Note 7)	121,122	1	199,142	2
Investment loss recognized under the equity method (Note 6)	-	-	1,735,273	13
Exchange loss, net	76,407	-	53,541	1

(Continued)

## E INK HOLDINGS INC.

### STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
Depreciation of assets leased to others (Note 14)	\$ 51,460	-	\$ 51,460	-
Others	<u>1,115</u>	<u>-</u>	<u>26,708</u>	<u>-</u>
Total nonoperating expenses and losses	<u>250,104</u>	<u>1</u>	<u>2,066,124</u>	<u>16</u>
INCOME (LOSS) BEFORE INCOME TAX	4,224,978	25	(1,015,658)	(8)
INCOME TAX EXPENSE (Notes 2 and 12)	<u>(197,000)</u>	<u>(1)</u>	<u>(112,000)</u>	<u>(1)</u>
NET INCOME (LOSS)	<u>\$ 4,027,978</u>	<u>24</u>	<u>\$ (1,127,658)</u>	<u>(9)</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 13)				
Basic earnings (loss) per share	<u>\$ 4.00</u>	<u>\$ 3.81</u>	<u>\$ (1.26)</u>	<u>\$ (1.4)</u>
Diluted earnings (loss) per share	<u>\$ 3.97</u>	<u>\$ 3.78</u>	<u>\$ -</u>	<u>\$ -</u>

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

(With Deloitte & Touche audit report dated February 15, 2011)

(Concluded)

**E INK HOLDINGS INC.**
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2010 AND 2009  
(In Thousands of New Taiwan Dollars)**

	Issued and Outstanding		Advance Receipts for		Retained Earnings (Accumulated Deficit) (Notes 2 and 11)		Other Equity (Notes 2 and 11)		Total Shareholders' Equity
					Legal Reserve	Earnings (Accumulated Deficit)	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	
	Capital Stock (Notes 9 and 11) Shares (Thousands)	Amount	Common Stock (Notes 2 and 11)	Capital Surplus (Notes 2 and 11)					
BALANCE, JANUARY 1, 2009	678,313	\$ 6,783,128	\$ 1,017	\$ 251,333	\$ 354,785	\$ (880,667)	\$ 228,491	\$ (471,392)	\$ 6,266,695
Offset of deficit	-	-	-	(245,445)	(354,785)	600,230	-	-	-
Issuance of common stock for cash - January 2009	70,000	700,000	-	-	-	-	-	-	700,000
Issuance of common stock for cash - August 2009	80,000	800,000	-	1,626,218	-	-	-	-	2,426,218
Issuance of global depositary receipts	70,000	700,000	-	4,496,321	-	-	-	-	5,196,321
Issuance of convertible preferred stock	-	-	-	3,877,577	-	-	-	-	3,877,577
Conversion of convertible bonds	52,050	520,501	-	1,640,657	-	-	-	-	2,161,158
Equity component of convertible bonds	-	-	-	2,220	-	-	-	-	2,220
Conversion of employee stock options	7,178	71,777	8,237	59,312	-	-	-	-	139,326
Net loss in 2009	-	-	-	-	-	(1,127,658)	-	-	(1,127,658)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	54,913	54,913
Adjustment due to change in equity in investee	-	-	-	114,469	-	-	(154,570)	734,910	694,809
Translation adjustments	-	-	-	-	-	-	(39,348)	-	(39,348)
BALANCE, DECEMBER 31, 2009	957,541	9,575,406	9,254	11,822,662	-	(1,408,095)	34,573	318,431	20,352,231
Offset of deficit	-	-	-	(1,408,095)	-	1,408,095	-	-	-
Conversion of employee stock options	6,283	62,829	(9,083)	50,893	-	-	-	-	104,639
Net income in 2010	-	-	-	-	-	4,027,978	-	-	4,027,978
Conversion of preferred stock	104,147	1,041,471	-	(1,041,471)	-	-	-	-	-
Conversion of convertible bonds	9,589	95,896	-	290,418	-	-	-	-	386,314
Unrealized gain on financial instruments	-	-	-	-	-	-	-	5,252	5,252
Adjustment due to change in equity in investee	-	-	-	49,913	-	-	-	(365,918)	(316,005)
Translation adjustments	-	-	-	-	-	-	(696,794)	-	(696,794)
BALANCE, DECEMBER 31, 2010	<u>1,077,560</u>	<u>\$10,775,602</u>	<u>\$ 171</u>	<u>\$ 9,764,320</u>	<u>\$ -</u>	<u>\$ 4,027,978</u>	<u>\$ (662,221)</u>	<u>\$ (42,235)</u>	<u>\$23,863,615</u>

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

(With Deloitte & Touche audit report dated February 15, 2011)

# E INK HOLDINGS INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 4,027,978	\$(1,127,658)
Depreciation	478,772	637,721
Amortization	86,868	92,100
Allowance (reversal of allowance) for doubtful accounts	(11,610)	11,800
Realized intercompany gain	(184)	(94)
Investment loss (income) recognized under the equity method	(1,812,507)	1,735,273
Gain on disposal of property, plant and equipment, net	(23,247)	(34,993)
Discount amortization of convertible bonds	831	6,900
Deferred income taxes	118,929	25,503
Compensation cost of employee stock options	-	109,993
Impairment loss	-	17,500
Net Changes in operating assets and liabilities		
Notes and accounts receivable	1,131,035	(1,141,947)
Receivables from related parties	(3,451,525)	(67,652)
Inventories	(1,525,090)	313,700
Prepaid expenses	575,161	(315,233)
Other current assets	21,575	(19,751)
Financial liabilities at fair value through profit or loss	(12,020)	9,056
Accounts payable	531,982	(28,815)
Payables to related parties	4,052,691	(133,325)
Income tax payable	(16,668)	58,560
Accrued expenses	89,017	127,416
Other current liabilities	8,540	(43,129)
Net cash provided by operating activities	<u>4,270,528</u>	<u>232,925</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in other receivables - related parties	470,995	(1,139,203)
Acquisition of investments accounted for by the equity method	(1,214,680)	(6,832,432)
Proceeds from investment company capital reduction	252,000	-
Acquisition of financial assets carried at cost	(50,000)	-
Acquisition of property, plant, and equipment	(552)	(121,712)
Increase in intangible assets	(30,035)	(22,321)
Increase in deferred charges	(135,258)	(18,794)
Decrease (increase) in other assets	(7,412)	427
Net cash used in investing activities	<u>(714,942)</u>	<u>(8,134,035)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term bank loans	(2,343,768)	(1,500,650)
Increase (decrease) in short-term bills payable	(199,853)	199,853
Increase (decrease) in long-term liabilities	810,530	(1,058,300)
Conversion of employee stock options	104,639	139,326
Issuance (redemption) of convertible bonds	(507)	2,550,000

(Continued)

# E INK HOLDINGS INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010	2009
Increase in guarantee deposits received	\$ 6	\$ -
Increase in capital	<u>-</u>	<u>8,212,546</u>
Net cash provided by (used in) financing activities	<u>(1,628,953)</u>	<u>8,542,775</u>
NET INCREASE IN CASH	1,926,633	641,665
CASH, BEGINNING OF YEAR	<u>1,228,929</u>	<u>587,264</u>
CASH, END OF YEAR	<u>\$ 3,155,562</u>	<u>\$ 1,228,929</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 132,326</u>	<u>\$ 207,087</u>
Income tax paid	<u>\$ 94,739</u>	<u>\$ 7,937</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 1,903,030</u>	<u>\$ 1,476,260</u>
Conversion of convertible bonds	<u>\$ 386,314</u>	<u>\$ 2,148,858</u>
Transfer of account receivable to financial assets carried at cost	<u>\$ 15,866</u>	<u>\$ -</u>
Issuance of convertible preferred stock to acquire subsidiary's common stock	<u>\$ -</u>	<u>\$ 3,877,577</u>
CASH PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Acquisition of property, plant and equipment	\$ 144,814	\$ 80,701
Decrease (increase) in payables to contractors and equipment suppliers	<u>(144,262)</u>	<u>41,011</u>
Payment in cash	<u>\$ 552</u>	<u>\$ 121,712</u>

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

(With Deloitte & Touche audit report dated February 15, 2011)

(Concluded)



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of E Ink Holdings Inc. and its subsidiaries (the "Corporation") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of BOE Mobile Display Technology Co., Ltd., as of December 31, 2010 and the financial statements of Beijing BOE Optoelectronics Technology Co., Ltd. and BOE Mobile Display Technology Co., Ltd., as of December 31, 2009, the investments in which the Corporation had equity-method investments by Yuen Yu Investment Co., Ltd. The investments amounted to NT\$153,551 thousand and NT\$2,742,034 thousand as of December 31, 2010 and 2009, respectively, which accounted for about 0.4% and 7.8%, respectively, of the consolidated assets, respectively. The Corporation's equity of NT\$7,948 thousand in their net loss in 2010 and equity of NT\$61,712 thousand in their net income in 2009 were about 0.2% and 3.7%, respectively, of the consolidated income (loss) before income tax. These investees' financial statements were audited by other auditors whose reports have been furnished to us, and, our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of E Ink Holdings Inc. and its subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the consolidated financial statements, effective January 1, 2009, the Corporation and its subsidiaries adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories."

February 15, 2011

## E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2010 AND 2009  
(In Thousands of New Taiwan Dollars)

ASSETS	2010		2009		LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 5,686,773	14	\$ 2,819,068	8	Short-term bank loans (Notes 12 and 20)	\$ 3,213,592	8	\$ 5,842,033	17
Available-for-sale financial assets (Notes 2 and 5)	80,240	-	-	-	Short-term bills payable	-	-	199,853	-
Notes and accounts receivable, net of allowance for doubtful accounts of \$85,037 thousand in 2010 and \$70,042 thousand in 2009 (Notes 2 and 6)	3,463,364	8	2,604,070	8	Accounts payable	5,035,174	12	2,040,425	6
Receivables from related parties (Notes 2 and 19)	34,193	-	27,854	-	Payables to related parties (Note 19)	104,277	-	192,822	-
Other financial assets (Note 20)	311,679	1	114,756	-	Income tax payable (Notes 2 and 16)	66,437	-	269,769	1
Inventories (Notes 2 and 7)	6,564,937	16	4,420,331	13	Accrued expenses	1,428,433	4	816,896	2
Prepayments	1,053,350	3	623,567	2	Payables to contractors and equipment suppliers	738,754	2	374,782	1
Deferred income tax assets - current (Notes 2 and 16)	357,932	1	491,923	1	Current portion of long-term liabilities (Notes 2, 13 and 20)	2,818,380	7	2,200,725	6
Other current assets	119,217	-	85,989	-	Other current liabilities	497,063	1	212,670	1
<b>Total current assets</b>	<b>17,671,685</b>	<b>43</b>	<b>11,187,558</b>	<b>32</b>	<b>Total current liabilities</b>	<b>13,902,110</b>	<b>34</b>	<b>12,149,975</b>	<b>34</b>
<b>INVESTMENTS (Note 2)</b>					<b>LONG-TERM LIABILITIES (Notes 2, 13 and 20)</b>				
Investments accounted for by the equity method (Notes 8 and 11)	293,625	1	2,899,628	8	Long-term liabilities, net of current portion	1,584,549	4	1,305,251	4
Available-for-sale financial assets (Notes 5 and 20)	847,296	2	1,208,203	3	<b>OTHER LIABILITIES</b>				
Financial assets carried at cost (Notes 9 and 11)	2,748,432	7	289,478	1	Accrued pension liabilities (Notes 2 and 14)	498,351	1	471,167	1
<b>Total investments</b>	<b>3,889,353</b>	<b>10</b>	<b>4,397,309</b>	<b>12</b>	Payables to related parties (Note 19)	-	-	90,053	-
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10, 11 and 20)</b>					Other	381,739	1	163,240	1
Cost					<b>Total other liabilities</b>	<b>880,090</b>	<b>2</b>	<b>724,460</b>	<b>2</b>
Buildings	7,889,639	19	8,131,738	23	<b>Total liabilities</b>	<b>16,366,749</b>	<b>40</b>	<b>14,179,686</b>	<b>40</b>
Machinery and equipment	19,904,688	49	19,905,575	57	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Other equipment	3,671,961	9	3,658,045	10	Capital stock				
Total cost	31,466,288	77	31,695,358	90	Common stock at par value of NT\$10.00;				
Less: Accumulated depreciation	22,756,630	56	22,412,939	64	Authorized: 2,000,000 thousand shares;				
Accumulated impairment	130,938	-	141,940	-	Issued and outstanding:				
	8,578,720	21	9,140,479	26	- 2010: 1,077,560 thousand shares	10,775,602	27	9,575,406	27
Construction in progress and prepayments for equipment	467,210	1	285,177	1	- 2009: 957,541 thousand shares	-	-	9,254	-
<b>Net property, plant and equipment</b>	<b>9,045,930</b>	<b>22</b>	<b>9,425,656</b>	<b>27</b>	Advance receipts for common stock	171	-	-	-
<b>INTANGIBLE ASSETS (Notes 2 and 11)</b>					Total capital stock	10,775,773	27	9,584,660	27
Patent	3,207,177	8	3,739,067	10	Capital surplus				
Goodwill	6,060,003	15	4,834,099	14	Additional paid-in capital from share issuance in excess of par value - common stock	9,065,424	22	6,178,342	18
Other	417,980	1	997,537	3	Additional paid-in capital from share issuance in excess of par value - bond conversion	525,200	1	1,640,657	5
<b>Total intangible assets</b>	<b>9,685,160</b>	<b>24</b>	<b>9,570,703</b>	<b>27</b>	From long-term investments	150,800	1	120,357	-
<b>OTHER ASSETS</b>					Employee stock options	22,896	-	3,509	-
Assets leased to others, net accumulated depreciation of \$257,770 thousand in 2010 and \$206,310 thousand in 2009 (Notes 2 and 18)	42,884	-	94,344	-	Equity component of convertible bonds	-	-	2,220	-
Deferred charges, net (Note 2)	214,967	1	133,483	-	Convertible preferred stock	-	-	3,877,577	11
Deferred income tax assets - noncurrent (Notes 2 and 16)	91,057	-	197,814	1	<b>Total capital surplus</b>	<b>9,764,320</b>	<b>24</b>	<b>11,822,662</b>	<b>34</b>
Others (Notes 2 and 14)	120,937	-	147,064	1	Retained earnings				
<b>Total other assets</b>	<b>469,845</b>	<b>1</b>	<b>572,705</b>	<b>2</b>	Unappropriated earnings(accumulated deficit)	4,027,978	10	(1,408,095)	(4)
<b>TOTAL</b>	<b>\$40,761,973</b>	<b>100</b>	<b>\$35,153,931</b>	<b>100</b>	Others				
					Cumulative translation adjustments	(662,221)	(2)	34,573	-
					Unrealized gain (loss) on financial instruments	(42,235)	-	318,431	1
					<b>Total others</b>	<b>(704,456)</b>	<b>(2)</b>	<b>353,004</b>	<b>1</b>
					<b>Total equity attributable to shareholders of the parent</b>	<b>23,863,615</b>	<b>59</b>	<b>20,352,231</b>	<b>58</b>
					<b>MINORITY INTEREST</b>	<b>531,609</b>	<b>1</b>	<b>622,014</b>	<b>2</b>
					<b>Total shareholders' equity</b>	<b>24,395,224</b>	<b>60</b>	<b>20,974,245</b>	<b>60</b>
					<b>TOTAL</b>	<b>\$40,761,973</b>	<b>100</b>	<b>\$35,153,931</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated February 15, 2011)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 19)	\$26,129,122	104	\$16,339,194	102
SALES RETURNS AND ALLOWANCES	<u>950,193</u>	<u>4</u>	<u>270,311</u>	<u>2</u>
NET SALES	25,178,929	100	16,068,883	100
COST OF SALES (Notes 3, 7, 18 and 19)	<u>17,000,061</u>	<u>68</u>	<u>15,548,903</u>	<u>97</u>
GROSS PROFIT	<u>8,178,868</u>	<u>32</u>	<u>519,980</u>	<u>3</u>
OPERATING EXPENSES (Note 18)				
Selling expenses	554,238	2	241,333	1
General and administrative expenses	1,721,419	7	788,699	5
Research and development expenses	<u>1,570,889</u>	<u>6</u>	<u>905,355</u>	<u>6</u>
Total operating expenses	<u>3,846,546</u>	<u>15</u>	<u>1,935,387</u>	<u>12</u>
OPERATING INCOME (LOSS)	<u>4,332,322</u>	<u>17</u>	<u>(1,415,407)</u>	<u>(9)</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 19)	16,116	-	43,301	-
Investment income recognized under the equity method (Note 8)	-	-	61,335	-
Exchange gain, net	99,623	1	16,063	-
Rental revenue (Note 19)	66,012	-	75,820	1
Subvention revenue	26,984	-	143,533	1
Patent royalty revenue	522,930	2	-	-
Others (Note 19)	<u>232,916</u>	<u>1</u>	<u>109,220</u>	<u>1</u>
Total nonoperating income and gains	<u>964,581</u>	<u>4</u>	<u>449,272</u>	<u>3</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 10 and 19)	295,079	1	363,567	2
Investment loss recognized under the equity method (Note 8)	19,745	-	-	-
Depreciation of assets leased to others (Note 18)	51,460	-	73,456	1
Impairment loss (Notes 2, 9, 10 and 11)	27,679	-	207,842	1
Others	<u>60,359</u>	<u>1</u>	<u>36,122</u>	<u>-</u>
Total nonoperating expenses and losses	<u>454,322</u>	<u>2</u>	<u>680,987</u>	<u>4</u>

(Continued)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
INCOME (LOSS) BEFORE INCOME TAX	\$ 4,842,581	19	\$ (1,647,122)	(10)
INCOME TAX EXPENSE (Notes 2 and 16)	<u>(928,965)</u>	<u>(3)</u>	<u>(79,957)</u>	<u>(1)</u>
CONSOLIDATED NET INCOME (LOSS)	<u>\$ 3,913,616</u>	<u>16</u>	<u>\$ (1,727,079)</u>	<u>(11)</u>
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 4,027,978	16	\$ (1,127,658)	(7)
Minority interest	<u>(114,362)</u>	<u>-</u>	<u>(599,421)</u>	<u>(4)</u>
	<u>\$ 3,913,616</u>	<u>16</u>	<u>\$ (1,727,079)</u>	<u>(11)</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 17)				
Basic	<u>\$ 4.00</u>	<u>\$ 3.81</u>	<u>\$ (1.26)</u>	<u>\$ (1.40)</u>
Diluted	<u>\$ 3.97</u>	<u>\$ 3.78</u>	<u>\$ -</u>	<u>\$ -</u>

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

(With Deloitte & Touche audit report dated February 15, 2011)

(Concluded)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	Issued and Outstanding Capital Stock (Notes 13 and 15)		Advance Receipts for	Retained Earnings (Accumulated Deficit) (Notes 2 and 15)		Other Equity (Notes 2 and 15)		Equity Attributable to Shareholders of	Minority Interest	Total Shareholders' Equity	
				Legal Reserve	Unappropriated Earnings (Accumulated Deficit)	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments				
	Shares (Thousands)	Amount	Common Stock (Notes 2 and 15)					Capital Surplus (Notes 2 and 15)			the Parent
BALANCE, JANUARY 1, 2009	678,313	\$ 6,783,128	\$ 1,017	\$ 251,333	\$ 354,785	\$ (880,667)	\$ 228,491	\$ (471,392)	\$ 6,266,695	\$ 1,352,272	\$ 7,618,967
Offset of deficit	-	-	-	(245,445)	(354,785)	600,230	-	-	-	-	-
Issuance of common stock for cash - January 2009	70,000	700,000	-	-	-	-	-	-	700,000	-	700,000
Issuance of common stock for cash - August 2009	80,000	800,000	-	1,626,218	-	-	-	-	2,426,218	-	2,426,218
Issuance of global depositary receipts	70,000	700,000	-	4,496,321	-	-	-	-	5,196,321	-	5,196,321
Issuance of convertible preferred shares	-	-	-	3,877,577	-	-	-	-	3,877,577	-	3,877,577
Conversion of convertible bonds	52,050	520,501	-	1,640,657	-	-	-	-	2,161,158	-	2,161,158
Equity component of convertible bonds	-	-	-	2,220	-	-	-	-	2,220	-	2,220
Conversion of employee stock options	7,178	71,777	8,237	59,312	-	-	-	-	139,326	-	139,326
Consolidated net loss in 2009	-	-	-	-	-	(1,127,658)	-	-	(1,127,658)	(599,421)	(1,727,079)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	54,913	54,913	-	54,913
Adjustment due to change in equity in investee	-	-	-	114,469	-	-	(154,570)	734,910	694,809	-	694,809
Translation adjustments	-	-	-	-	-	-	(39,348)	-	(39,348)	-	(39,348)
Change in minority interest	-	-	-	-	-	-	-	-	-	(130,837)	(130,837)
BALANCE, DECEMBER 31, 2009	957,541	9,575,406	9,254	11,822,662	-	(1,408,095)	34,573	318,431	20,352,231	622,014	20,974,245
Offset of deficit	-	-	-	(1,408,095)	-	1,408,095	-	-	-	-	-
Conversion of employee stock options	6,283	62,829	(9,083)	50,893	-	-	-	-	104,639	-	104,639
Consolidated net income in 2010	-	-	-	-	-	4,027,978	-	-	4,027,978	(114,362)	3,913,616
Conversion of preferred shares	104,147	1,041,471	-	(1,041,471)	-	-	-	-	-	-	-
Conversion of convertible bonds	9,589	95,896	-	290,418	-	-	-	-	386,314	-	386,314
Unrealized gain on financial instruments	-	-	-	-	-	-	-	5,252	5,252	-	5,252
Adjustment due to change in equity in investee	-	-	-	49,913	-	-	-	(365,918)	(316,005)	-	(316,005)
Translation adjustments	-	-	-	-	-	-	(696,794)	-	(696,794)	-	(696,794)
Change in minority interest	-	-	-	-	-	-	-	-	-	23,957	23,957
BALANCE, DECEMBER 31, 2010	<u>1,077,560</u>	<u>\$10,775,602</u>	<u>\$ 171</u>	<u>\$ 9,764,320</u>	<u>\$ -</u>	<u>\$ 4,027,978</u>	<u>\$ (662,221)</u>	<u>\$ (42,235)</u>	<u>\$23,863,615</u>	<u>\$ 531,609</u>	<u>\$24,395,224</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated February 15, 2011)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income (loss) Adjustments to reconcile net income (loss) to net cash provided by operating activities	\$ 3,913,616	\$(1,727,079)
Depreciation	1,781,752	1,806,769
Amortization	612,060	179,542
Allowance for doubtful accounts	19,536	12,310
Gain on sale of investments, net	(2,774)	(1,912)
Investment loss (income) recognized under the equity method	19,745	(61,335)
Loss (gain) on disposal of property, plant and equipment, net	12,683	(2,030)
Impairment loss	27,679	207,842
Discount amortization of convertible bonds	15,603	6,900
Deferred income taxes	517,777	14,392
Compensation cost of employee stock options	19,470	109,993
Net changes in operating assets and liabilities:		
Notes and accounts receivable	(1,356,408)	(1,329,950)
Receivables from related parties	(236,646)	368,135
Other financial assets	(230,036)	-
Inventories	(3,316,769)	576,073
Prepayments	(484,182)	(214,013)
Other current assets	(107,285)	(105,191)
Financial liabilities at fair value through profit or loss	(12,056)	9,056
Accounts payable	3,655,993	495,890
Payables to related parties	180,629	(120,840)
Income tax payable	(203,332)	(278,196)
Accrued expenses	561,276	176,184
Other current liabilities	287,256	(64,854)
Accrued pension liabilities	<u>54,449</u>	<u>39,426</u>
Net cash provided by operating activities	<u>5,730,036</u>	<u>97,112</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in available-for-sale financial assets	(80,000)	101,935
Acquisition of financial assets carried at cost	(50,000)	(63,980)
Proceeds from disposal of financial assets carried at cost	5,873	-
Acquisition of property, plant, and equipment	(1,325,233)	(578,602)
Proceeds from disposal of property, plant and equipment	4,439	6,117
Increase in intangible assets	(45,014)	(34,246)
Increase in deferred charges	(167,372)	(58,739)
Decrease (increase) in other assets	21,419	(5,059)
Net cash flow from acquisition of subsidiaries' shares	<u>-</u>	<u>(6,437,447)</u>
Net cash used in investing activities	<u>(1,635,888)</u>	<u>(7,070,021)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term bank loans	(2,512,995)	(1,360,545)
Increase in short-term bills payable	(199,853)	199,853
Increase (decrease) in long-term liabilities	943,670	(1,966,774)

(Continued)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
Increase (decrease) in payables to related parties - noncurrent	\$ (90,053)	\$ 90,053
Issuance of convertible bonds	929,817	2,550,000
Redemption of convertible bonds	(507)	-
Increase in other liabilities	243,796	844
Conversion of employee stock options	104,639	139,326
Increase (decrease) in minority interest	59,848	(130,837)
Issuance of common stock for cash	<u>-</u>	<u>8,212,546</u>
Net cash provided by (used in) financing activities	<u>(521,638)</u>	<u>7,734,466</u>
CURRENCY TRANSLATION ADJUSTMENT	<u>(704,805)</u>	<u>39,791</u>
NET INCREASE IN CASH	2,867,705	801,348
CASH , BEGINNING OF YEAR	<u>2,819,068</u>	<u>2,017,720</u>
CASH , END OF YEAR	<u>\$ 5,686,773</u>	<u>\$ 2,819,068</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 309,734</u>	<u>\$ 350,364</u>
Income tax paid	<u>\$ 931,572</u>	<u>\$ 423,706</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of account receivable to financial assets carried at cost	<u>\$ 15,866</u>	<u>\$ 3,877,577</u>
Transfer of investment accounted for by the equity method to financial assets carried at cost	<u>\$ 2,571,366</u>	<u>\$ -</u>
Current portion of long-term liabilities	<u>\$ 2,818,380</u>	<u>\$ 2,200,725</u>
Conversion of convertible bonds	<u>\$ 386,314</u>	<u>\$ 2,148,858</u>
CASH PAID FOR ACQUISITION OF PROPERTY, PLANT, AND EQUIPMENT		
Acquisition of property, plant and equipment	\$ 1,695,560	\$ 611,007
Increase in payables to contractors and equipment suppliers	<u>(370,327)</u>	<u>(32,405)</u>
Payment in cash	<u>\$ 1,325,233</u>	<u>\$ 578,602</u>

(Continued)



## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

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Additional disclosure of acquisition of subsidiaries' shares:

In 2009, E Ink Holdings Inc. (EIH) and New Field e-Paper Co., Ltd. wholly acquired the common shares of E Ink with cash and EIH issuing convertible preferred shares. The fair values of acquired assets and liabilities were as follows:

Cash	\$ 206,367
Accounts receivable	436,983
Inventories	1,688,560
Deferred income tax assets - current	289,331
Prepayments and other current assets	93,553
Property, plant and equipment, net	152,426
Deferred income tax assets - noncurrent	137,181
Other assets	54,223
Accounts payable	(500,356)
Accrued expenses	(296,227)
Long-term liabilities	(960,596)
Deferred credits	<u>(162,957)</u>
Net	1,138,488
Percentage of equity interest	<u>100%</u>
	1,138,488
Goodwill	9,382,903
Issuance of convertible preferred stock	<u>(3,877,577)</u>
Cash paid	<u>\$6,643,814</u>

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

(With Deloitte & Touche audit report dated February 15, 2011)

(Concluded)

## **Appendix 3**

### **SUPERVISORS' REVIEW REPORT**

The Board of Directors has prepared the Company's 2010 business report, financial statements and proposal of earnings distribution. And Deloitte & Touche, a CPA firm, has completed its audit to the Company's financial statements and issued an audit report thereof. The above-mentioned business report, financial statements and proposal have been reviewed and determined to be correct and accurate by us, so, according to Article 219 of the Company Act, we hereby submit this report to the 2011 Annual General Meeting of stockholders of the Company.

E INK HOLDINGS INC.

Supervisors: Li-Chun Hsiao

Ching-I Wang

Ching-Yuan Chang

Date: May 5, 2011

## Appendix 4

### E INK HOLDINGS INC. STATUS TABLE OF TREASURY STOCK REPURCHASE

Item	Remark
<b>Execution Plan of the Second Treasury Stock Repurchase in 2011</b>	
Date of Approval by the Board	March 30, 2011
Purpose of Repurchase	In line with the Company's talent retention programs, the repurchased stock will be transferred to employees.
Type of Repurchased Stocks	Common Stocks
Maximum Amount of Repurchase	NT\$12,914,145,241
Planned Duration of Repurchase	March 31, 2011 ~ May 30, 2011
Planned Amount of Repurchase (Shareholding Percentage)	11,000,000 shares (1.02%)
Planned Price Range of Repurchase	NT\$35.00 ~ NT\$55.00
Method of Repurchase	Repurchased from over-the-counter market
<b>Execution Status of the 2nd time Treasury Stock Repurchase in 2011</b>	
Duration of Repurchase	April 11, 2011
Amount of Repurchase	522,000 shares
Payment Amount of Repurchase	NT\$25,913,708
Average Price of Repurchase Per Share	NT\$49.64

## Appendix 5

### E INK HOLDINGS INC. 2010 EARNINGS DISTRIBUTION STATEMENT

Item	Amount (NTD)	Remark
<b>Retained earnings at the beginning of this fiscal year</b>	<b>\$ 0</b>	
Plus: After-tax net income of this fiscal year	4,027,977,797	
Deduct: Legal reserve of 10%	(402,797,780)	
Deduct: Special reserve set aside pursuant to the Securities Exchange Act	(704,456,496)	
<b>Distributable retained earnings of this fiscal year</b>	<b>2,920,723,521</b>	
Item of Allocation		
Shareholders' Cash Dividends	539,141,315	NT\$0.5 per share
Shareholders' Cash Bonuses	2,329,090,481	NT\$2.16 per share
<b>Unappropriated retained earnings at the end of this fiscal year</b>	<b>\$52,491,725</b>	
<p>Note :</p> <p>According the ruling, Ji-Mi-Tse No. 052, promulgated by the ROC Accounting Research and Development Foundation in March 2007, the employee bonuses and the remuneration to directors and supervisors shall be booked as expenses, not distribution of earnings.</p> <p>Planned allocation of remuneration to directors and supervisors: NT\$24,608,283</p> <p>Planned allocation of employee bonuses: NT\$124,284,256</p>		

Chairman: Su-Cheng Liu

Managing Officer: Chuang-Chuang Tsai

Accounting Officer: Shen-Hwa Chang

## Appendix 6

### E INK HOLDINGS INC.

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

Article	After Amendment	Before Amendment	Remarks
16	<u>Regardless of surplus or deficit of the Company, each Directors or Supervisors is entitled to the remuneration determined by the Board of Directors, taking into consideration of the participation and contribution devoted by the Directors and Supervisors to the Company as well as the general standard of other companies in the same industry. Where the Company has surplus earnings, a special remuneration to the Directors and Supervisors shall be paid pursuant to Article 19.</u>	<u>The remuneration to Directors and Supervisors of the Company shall be determined by the shareholders' meeting.</u>	To amend this article pursuant to Article 196 of the Company Act
16-1	<u>The Company may purchase liability insurance policies for the Directors, Supervisors and Officers covering their duties during their terms.</u>		<ol style="list-style-type: none"> <li>1. New Article</li> <li>2. In line with corporate governance and to reduce and mitigate the risks in relation to the Company and shareholders' damages by purchasing insurance policies.</li> </ol>

Article	After Amendment	Before Amendment	Remarks
19	<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 annual closing of books, after paying taxes and making up the losses of previous years, the Company shall first set aside a legal reserve of 10% and 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:</p> <ol style="list-style-type: none"> <li>1. The dividends distributed to the shareholders shall not exceed one percent (1%) per annum.</li> <li>2. The remaining balance shall be distributed as the employee bonuses, remuneration for Directors and Supervisors and the shareholder bonuses.</li> </ol> <p>Among those, employee bonuses shall be <u>at</u></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 annual closing of books, after paying taxes and making up the losses of previous years, the Company shall first set aside a legal reserve of 10% and 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:</p> <ol style="list-style-type: none"> <li>1. The dividends distributed to the shareholders shall not exceed one percent (1%) per annum.</li> <li>2. The remaining balance shall be distributed as the employee bonuses, remuneration for Directors and Supervisors and the shareholder bonuses.</li> </ol> <p>Among those, employee bonuses shall be <u>five to</u></p>	<p>To amend the ratio of employee bonuses for increasing the flexibility of earnings distribution</p>

Article	After Amendment	Before Amendment	Remarks
	<p><u>least one percent (1%) but shall not be more than ten percent (10%), and remuneration for Directors and Supervisors shall not be higher than one percent (1%).</u></p> <p>The distribution of retained earning provided in the preceding paragraph may be done together with the cumulative unappropriated retained earning of the preceding years.</p> <p>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.</p> <p>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.</p> <p>The proposal of earning distribution of each fiscal year shall be proposed by the board of directors for the resolution of shareholders' meeting.</p>	<p><u>ten percent (5-10%), and remuneration for Directors and Supervisors shall not be higher than one percent (1%).</u></p> <p>The distribution of retained earning provided in the preceding paragraph may be done together with the cumulative unappropriated retained earning of the preceding years.</p> <p>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.</p> <p>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.</p> <p>The proposal of earning distribution of each fiscal year shall be proposed by the board of directors for the resolution of shareholders' meeting.</p>	
21	<p>This Articles of Incorporation were established on June 1, 1992.</p> <p>The First Amendment was made on December 23, 1993.</p> <p>.....</p> <p>The Seventeenth Amendment was made on June 18, 2010.</p> <p><u>The Eighteenth Amendment was made on June 24, 2011.</u></p>	<p>This Articles of Incorporation were established on June 1, 1992.</p> <p>The First Amendment was made on December 23, 1993.</p> <p>.....</p> <p>The Seventeenth Amendment was made on June 18, 2010.</p>	To add the date of this Amendment.

## Appendix 7

### NOMINEE LIST OF INDEPENDENT DIRECTOR

The nominees list of the independent directors is proposed pursuant to Article 192-1 of the Company Act of ROC:

No.	Number of Shares*	Name	Major Degree and Working Experience
1	0	Ten-Chung Chen	Mr. Chen received a bachelor degree from Department of Business Administration, National Cheng Kung University (Taiwan) and a master degree of business administration from Indiana University (USA). He was an engineer of Advanced Micro Devices, Inc., the general manager of Advantech America (USA), and a director of Advantech Co., Ltd. Now he is a supervisor of Advantech Co., Ltd.
2	0	Yung-Cheng Chen	Mr. Chen received a master degree of business administration from Chicago University (USA), a double master degree of computer science and mathematics from Ohio State University (USA). He was the CEO of 21CN CyberNet Corp. Ltd., the Chairman & CEO of Motorola (China), the CEO of Microsoft Greater China Region, CEO of NBA China. Now he is an independent director of SinoPac Holdings and a partner of GL Capital Group.

\* As of the record date of 2011 annual general meeting (April 26, 2011).



**Appendix 8**

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

Approved by the Board of Directors on March 30, 2011

- Article 1 In order to establish the superior governing system of the Board of Directors (the “Board”), integrate supervising capacity and strengthen management function of the Company, these rules are established in accordance with Article 2 of “Regulations Governing Procedure for Board of Directors Meetings of Public Companies” for compliance therewith.
- Article 2 The main agenda items, administrative procedures, required content of meeting minutes, public announcements, and other requirements shall be handled in accordance with these Rules.
- Article 3 The Board meeting shall be convened at least once per quarter.  
The notice of Board meeting shall be delivered to each Director and Supervisor at least seven days before the meeting; while in case of emergency, the meeting may be convened anytime.  
All matters listed in Paragraph1 of Article 7 shall be specified in the notice of Board meeting; none of such matters may be raised by a motion of any other business except in the case of emergency or any other legitimate causes.
- Article 4 A Board meeting shall be held at the Company’s location during the business hours of the Company, or at a place and time convenient to all Directors and suitable for holding such a meeting.
- Article 5 The meeting administration unit for Board meetings appointed by the Board of the Company shall be the Legal Affairs Division.  
The meeting administration unit shall prepare agenda items for Board meetings, provide comprehensive meeting materials, and send the materials together with the notice of the meeting.  
A Director in the opinion that the meeting materials provided are insufficiently comprehensive may request the meeting administration unit for supplement. The Board of Directors may postpone any agenda item by resolution if any Director is in the opinion that the meeting materials of such agenda item are insufficient.
- Article 6 Agenda items for regular Board meetings of the Company shall include at least the following:
  - 1. Report Items:
    - (1) Minutes of the last meeting and relevant action items.

- (2) Report on important financial and business matters.
- (3) Report on internal auditing activities.
- (4) Report on other important matters.

2. Discussion Items:

- (1) Items suspended by the last meeting.
- (2) Items for discussion at this meeting.

3. Any Other Business

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

- (1) The Company's business plan.
- (2) Annual and semi-annual financial reports.
- (3) Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (4) Adoption of amendment of procedures for acquisition or disposal of assets, derivatives trading, monetary lending, endorsement or guarantee, or any other financial or business acts of significance under Article 36-1 of the Securities and Exchange Act.
- (5) The offering, issuance, or private placement of any equity-like securities.
- (6) The appointment or discharge of a financial, accounting, or internal auditing officer.
- (7) Any matter required by Article 14-3 of the Securities and Exchange Act or any other statute, regulation, or the Company's Articles of Incorporation to be approved by the general meeting or Board meeting, or any other significant matter prescribed by the competent authority.

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

Article 8 When a Board meeting is held, an attendance sheet shall be prepared ready for signature by attending Directors and thereafter kept for filing. All Board directors shall attend Board meetings in person. If personal

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

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

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

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

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

Article 10 At any Board meeting, the Company may, if necessary for the agenda items, notify non-director officers from relevant departments to attend the meeting as non-voting participants. When necessary, the Company may also invite certificated public accountants, attorneys, or other professionals to attend as non-voting participants.

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

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

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

Article 12 If more than one-half of the Directors are present when the meeting time is due, the chairperson shall call meeting to order. In case one-half or more of the Directors are still absent when the meeting time is due, the chairperson may announce postponement of the meeting time, provided

that no more than two postponements may be made, and the aggregate period of postponement cannot exceed one hour. If the quorum is still not met after two postponements, the chairperson shall re-convene the meeting following the procedures provided in Paragraph 2 of Article 3.

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

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

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

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

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

In the voting process, if the chairperson seeks comments from the attending Directors and no objection is received, the agenda item is deemed approved. In case there is any objection by any attending Director after the inquiry by the chairperson, the agenda item shall be brought to vote.

The term “the attending Director” under the preceding two paragraphs shall exclude the Director(s) prohibited from voting pursuant to Paragraph 1 of Article 16.

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

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

- (1) to vote by show of hands;

- (2) to vote by roll call;
- (3) to vote by ballot.

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

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

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

Article 16 If any Director, or the legal entity he or she represents, has conflict of interest regarding any agenda item and therefore may prejudice the Company's interests, the Director may state opinions and answer questions but shall excuse himself or herself from the discussion and voting thereon. The conflicting Director also may not vote on behalf of any other Director for the agenda item.

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

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

1. Session, time, and place of meeting.
2. Name of the chairperson.
3. Attendance status of Directors at the meeting, including the names and number of Directors present, on leave, and absent.
4. Names and titles of those attending the meeting as nonvoting participants.
5. Name of minutes taker.
6. Report Items.
7. Discussion items: specifying the resolution method and result for each proposal, and summary of the comments, objections or reservations expressed by Directors, Supervisors, experts, or others at the meeting that have been included in records or stated in writing, and any opinion issued in writing by an Independent Director under Paragraph 2 of Article 7.
8. Any other business: specifying the name of the mover, the resolution method and result for each motion, summary of comments, objections or reservations expressed by, Directors,

Supervisors, experts, or others at the meeting that have been included in records or stated in writing.

9. Other matters required to be recorded.

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

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

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

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

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

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

## Appendix 9

### E INK HOLDINGS INC. ARTICLES OF INCORPORATION

#### Chapter I General Provisions

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

#### Chapter II Shares

- Article 5 The authorized capital of the Company shall be Twenty Billion New Taiwan Dollars (NT\$20,000,000,000), divided into Two Billion (2,000,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) per share. The board of directors is authorized to issue shares not yet issued by installments.  
The Company shall reserve One Billion and Four Hundred Million New Taiwan Dollars (NT\$1,400,000,000), divided into One Hundred and Forty Million (140,000,000) shares with a par value of Ten New Taiwan

Dollars (NT\$10) per share, for issue of warrants for its employees (the “**Employee Warrants**”). The board of directors is authorized to issue Employee Warrants by installments.

Article 5-1 The Company may issue the Employee Warrant with a subscribing price lower than the market price provided that the Employee Warrant shall not be issued until the shareholders’ meeting so resolved in accordance with Articles 56-1 and 76 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

Article 5-2 The Company may transfer its shares to its employees at a price lower than the average price for buying back the Company’s shares provided that such transfer shall not be effected until it is approved by the then adjacent shareholders’ meeting and in accordance with Articles 10-1 and 13 of the Regulations Governing the Share Buy-back by Companies Listed on the Taiwan Stock Exchange (“**TSE**”) or GreTai Securities Market (“**GTSM**”).

Article 5-3 Series A Convertible Preferred Share

The Company may issue up to Thirty Million Series A Convertible Preferred Share (“**Series A CPS**”) by installments. The major terms and conditions of the Series A CPS are listed as below:

1. The life of the Series A CPS is from the issue date of the Series A CPS to September 30, 2012 (“**Expiration Date**”). Each Series A CPS shall expire and be cancelled by the Company on the Expiration Date with neither any consideration nor the consent/resolution of the shareholders meeting of the Series A CPS if such Series A CPS is not converted into the common shares of the Company on the Expiration Date.
2. The holders of the Series A CPS are not entitled to any cash dividend or bonus and they are not entitled to the cash distribution out of the Company’s earnings, reserves or capital surplus. If the Company distributes stock dividends or bonuses by way of issue of new shares to other shareholders of the Company, the Company shall pay a pro rata (according to the same percentage as distributed to other shares) dividend or bonus in additional Series A CPS or, to the extent permitted by law, the Company shall issue an additional number of common shares of the Company to the holders of Series A CPS at the time of the conversion thereof.
3. When the Company issues new shares for cash, the holders of the Series A CPS shall have the preemptive right to buy new shares on



the same terms on which the Company proposes to issue such new shares to the holders of common shares of the Company.

4. The holders of the Series A CPS are not entitled to any voting rights in the shareholders meeting for the holders of common shares and have no right to elect directors or supervisors. When the Company conducts any merger or acquisition activity, such activity is not required to be approved by the shareholders meeting of the Series A CPS.
5. Conversion of Series A CPS:  
Series A CPS will be automatically converted into common shares of the Company on a 1: 1 basis on the issue date.
6. In the event that the winding up or liquidation of the Company occurs, the Series A CPS will be automatically converted into the common shares, and the rights and claims in respect of the so converted new shares will rank pari passu with the rights and claims of the Company's common shares. An automatic conversion pursuant to a Change of Control shall occur at such time as is necessary so that the holders of the Series A CPS, after giving effect to such conversion, are entitled to participate in such Change of Control to the same extent as other holders of common shares of the Company.
7. Other detailed terms and conditions in relation to Series A CPS shall be stipulated by the board of directors in accordance with the applicable laws and regulations for further approval by the Company's shareholders meeting.

#### Article 5-4 Series B Convertible Preferred Share

The Company may issue up to Thirty Million Series B Convertible Preferred Share ("**Series B CPS**") by installments. The major terms and conditions of the Series B CPS are listed as below:

1. The life of the Series B CPS is from the issue date of the Series B CPS to September 30, 2012 ("**Expiration Date**"). Each Series B CPS shall expire and be cancelled by the Company on the Expiration Date with neither any consideration nor the consent/resolution of the shareholders meeting of the Series B CPS if such Series B CPS is not converted into the common shares of the Company on the Expiration Date.
2. The holders of the Series B CPS are not entitled to any cash dividend or bonus and they are not entitled to the cash distribution out of the Company's earnings, reserves or capital surplus. If the

Company distributes stock dividends or bonuses by way of issue of new shares to other shareholders of the Company, the Company shall pay a pro rata (according to the same percentage as distributed to other shares) dividend or bonus in additional Series B CPS or, to the extent permitted by law, the Company shall issue an additional number of common shares of the Company to the holders of Series B CPS at the time of the conversion thereof.

3. When the Company issues new shares for cash, the holders of the Series B CPS shall have the preemptive right to buy new shares on the same terms on which the Company proposes to issue such new shares to the holders of common shares of the Company.
4. The holders of the Series B CPS are not entitled to any voting rights in the shareholders meeting for the holders of common shares and have no right to elect directors or supervisors. When the Company conducts any merger or acquisition activity, such activity is not required to be approved by the shareholders meeting of the Series B CPS.

5. Conversion of Series B CPS:

(1) Conversion Triggering Price

- (a) If the Company's consecutive 5-day volume weighted average price ("VWAP") on the GTSM reaches Sixty New Taiwan Dollars (NT\$60), the Series B CPS will be automatically converted into common shares of the Company on a 1:1 basis.

Detailed terms for the time period to determine the VWAP, and the adjustment of the Conversion Triggering Price shall be stipulated by the board of directors in accordance with the applicable laws and regulations for further approval by the Company's shareholders meeting.

- (b) Change of Control, Winding Up or Liquidation

In the event that either (i) any "Change of Control" (defined as below) of the Company or (ii) the winding up or liquidation of the Company as provided in the Company Act, occurs, the Series B CPS will be automatically converted into the common shares of the Company on a 1:1 basis.

"Change of Control" means (i) any merger, consolidation or other business combination of the Company with or into another entity in which the Company is not the surviving

entity; (ii) any merger, consolidation or other business combination of the Company with or into another entity in which the Company is the surviving entity but the number of all the voting shares of the surviving entity held by the shareholders of the Company immediately prior to such transaction falls under 50% of the total number of the voting shares of the surviving entity after giving effect to such transaction; (iii) any sale, lease, assignment or other transfer by the Company of all or substantially all of its assets provided, however, that any sale, lease, assignment or other transfer by the Company of the plants or other assets for manufacturing of the Company or of the Company's subsidiaries or sale of the shares of the Company's subsidiaries other than E Ink Corporation shall not be deemed to be a Change of Control and provided, further, that any sale, lease, assignment or other transfer by the Company of all or substantially all of the business of E Ink Corporation (including all or substantially all of the intellectual property of E Ink Corporation) in one or a series of related transactions shall be deemed to be a Change of Control; (iv) any person or entity and its group affiliates acquires the power to elect or direct the election of a majority of the members of the Company's board of directors as specified in the Company's Articles of Incorporation; or (v) any person or entity and its group affiliates acquires more than 50% of the outstanding voting shares of, or the beneficial ownership of more than 50% of the outstanding voting shares of the Company, provided, however, that such acquisition referred to in this clause (v) shall not be a Change of Control unless or until such person, entity or group affiliates has the power to elect or direct the election of a majority of the members of the Company's board of directors as specified in the Company's Articles of Incorporation.

6. In the event that the winding up or liquidation of the Company occurs, the Series B CPS will be automatically converted into the common shares, and the rights and claims in respect of the so converted new shares will rank pari passu with the rights and claims of the Company's common shares. An automatic conversion

pursuant to a Change of Control shall occur at such time as is necessary so that the holders of the Series B CPS, after giving effect to such conversion, are entitled to participate in such Change of Control to the same extent as other holders of common shares of the Company.

7. Other detailed terms and conditions in relation to the Series B CPS shall be stipulated by the board of directors in accordance with the applicable laws and regulations for further approval by the Company's shareholders meeting.

#### Article 5-5 Series C Convertible Preferred Share

The Company may issue up to Thirty Million Series C Convertible Preferred Share ("**Series C CPS**") by installments. The major terms and conditions of the Series C CPS are listed as below:

1. The life of the Series C CPS is from the issue date of the Series C CPS to September 30, 2012 ("**Expiration Date**"). Each Series C CPS shall expire and be cancelled by the Company on the Expiration Date with neither any consideration nor the consent/resolution of the shareholders of the Series C CPS if such Series C CPS is not converted into the common shares of the Company on the Expiration Date.
2. The holders of the Series C CPS are not entitled to any cash dividend or bonus and they are not entitled to cash distribution out of the Company's earnings, reserves or capital surplus. If the Company distributes stock dividends or bonuses by way of issue of new shares to other shareholders of the Company, the Company shall pay a pro rata (according to the same percentage as distributed to other shares) dividend or bonus in additional Series C CPS or, to the extent permitted by law, the Company shall issue an additional number of common shares of the Company to the holders of Series C CPS at the time of the conversion thereof.
3. When the Company issues new shares for cash, the holders of the Series C CPS shall have the preemptive right to buy new shares on the same terms on which the Company proposes to issue such new shares to the holders of common shares of the Company.
4. The holders of the Series C CPS are not entitled to any voting rights in the shareholders meeting for the holders of common shares and have no right to elect directors or supervisors. When the Company conducts any merger or acquisition activity, such activity

is not required to be approved by the shareholders meeting of the Series C CPS.

5. Conversion of Series C CPS:

(1) Conversion Triggering Price

(a) If the Company's consecutive 5-day VWAP on the GTSM reaches Seventy New Taiwan Dollars (NT\$70), the Series C CPS will be automatically converted into common shares of the Company on a 1:1 basis.

Detailed terms for the time period to determine the VWAP, and the adjustment of the Conversion Triggering Price shall be stipulated by the board of directors in accordance with the applicable laws and regulations for further approval by the Company's shareholders meeting.

(b) Change of Control, Winding Up or Liquidation

In the event that either (i) any "Change of Control" (as defined in Article 5-4) of the Company or (ii) the liquidation or winding up of the Company as provided in the Company Act, occurs, the Series C CPS will be automatically converted into the common shares of the Company on a 1:1 basis.

6. In the event that the liquidation or winding up of the Company occurs, the Series C CPS will be automatically converted into the common shares, and the rights and claims in respect of the so converted new shares will rank pari passu with the rights and claims of the Company's common shares. An automatic conversion pursuant to a Change of Control shall occur at such time as is necessary so that the holders of the Series C CPS, after giving effect to such conversion, are entitled to participate in such Change of Control to the same extent as other holders of common shares of the Company.

7. Other detailed terms and conditions in relation to the Series C CPS shall be stipulated by the board of directors in accordance with the applicable laws and regulations for further approval by the Company's shareholders meeting.

Article 5-6 Series D Convertible Preferred Share

The Company may issue up to Thirty Million Series D Convertible Preferred Share ("**Series D CPS**") by installments. The major terms and conditions of the Series D CPS are listed as below:

1. The life of the Series D CPS is from the issue date of the Series D CPS to September 30, 2012 (“**Expiration Date**”). Each Series D CPS shall expire and be cancelled by the Company on the Expiration Date with neither any consideration nor the consent/resolution of the shareholders meeting of the Series D CPS if such CPS is not converted into the common shares of the Company on the Expiration Date.
2. The holders of the Series D CPS are not entitled to any cash dividend or bonus and they are not entitled to cash distribution out of the Company’s earnings, reserves or capital surplus. If the Company distributes stock dividends or bonuses to other shareholders of the Company, the Company shall pay a pro rata (under the same percentage as distributed to other shares) dividend or bonus in additional Series D CPS or, to the extent permitted by law, the Company shall issue an additional number of common shares of the Company to the holders of Series D CPS at the time of the conversion thereof.
3. When the Company issues new shares for cash, the holders of the Series D CPS shall have the preemptive right to buy new shares on the same terms on which the Company proposes to issue such new shares to the holders of common shares of the Company.
4. The holders of the Series D CPS are not entitled to any voting rights in the shareholders meeting for the holders of common shares and have no right to elect directors or supervisors. When the Company conducts any merger or acquisition activity, such activity is not required to be approved by the shareholders meeting of the Series D CPS.
5. Conversion of Series D CPS:
  - (1) Conversion Triggering Price
    - (a) If the Company’s consecutive 5-day VWAP on the GTSM reaches Eighty New Taiwan Dollars (NT\$80), the Series D CPS will be automatically converted into common shares of the Company on a 1:1 basis.

Detailed terms for the time period to determine the VWAP, and the adjustment of the Conversion Triggering Price shall be stipulated by the board of directors in accordance with the applicable laws and regulations for further approval by the Company’s shareholders meeting.
    - (b) Change of Control, Winding Up or Liquidation

In the event that either (i) any “Change of Control” (defined in Article 5-4) of the Company or (ii) the liquidation or winding up of the Company as provided in the Company Act, occurs, the Series D CPS after issuance will be automatically converted into the common shares of the Company on a 1:1 basis.

6. In the event that the liquidation or winding up of the Company occurs, the Series D CPS will be automatically converted into the common shares, and the rights and claims in respect of the so converted new shares will rank pari passu with the rights and claims of the Company’s common shares. An automatic conversion pursuant to a Change of Control shall occur at such time as is necessary so that the holders of the Series D CPS, after giving effect to such conversion, are entitled to participate in such Change of Control to the same extent as other holders of common shares of the Company.
7. Other detailed terms and conditions in relation to the Series D CPS shall be stipulated by the board of directors in accordance with the applicable laws and regulations for further approval by the Company’s shareholders meeting.

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.

The Company may be exempt from printing of share certificates representing the shares issued or share certificates representing such shares may be printed jointly with all the newly issued shares, provided the Company shall arrange for recordation or custody by a centralized securities depository institution. The Company may also arrange for issue of securities with aggregate face value of the shares.

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 and 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 of the Company Act where shares have no voting power.
- Article 12 Unless otherwise provided by the Company Act, a resolution of the shareholders' meeting shall be adopted by a majority vote of shareholders present at the meeting whose aggregate shares account for the majority of the total issued shares of the Company.

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

- Article 13 The Company shall have nine (9) directors and three (3) supervisors, all to be elected at a shareholders' meeting from those who have disposing capacity (natural person, legal person or the representative appointed by the legal person as the case may be) in accordance with Articles 198 and 227 of the Company Act, and all eligible for re-election. In accordance with Article 14-2 of the Securities and Exchange Act, at least two (2) of the above directors of the Company must be independent directors accounting for at least one-fifth (1/5) of the total



number of directors. Independent directors are elected according to the candidate nomination system as provided by Article 192-1 of the Company Act. The professional qualifications, restrictions on shareholding and concurrent posts held, nomination and election methods, and other matters for compliance with respect to independent directors are governed by the applicable regulations of the competent securities authority. The aggregate shareholding of all directors and supervisors is governed by the regulations of the regulatory securities authority.

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

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

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

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

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

Article 16 The remuneration to directors and supervisors of the Company shall be determined by the shareholders' meeting.

## **Chapter V Managerial Officers**

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

## **Chapter VI Accounting**

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

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

Out of the profit of the Company upon annual closing of books, after having provided for taxes and covered the losses of previous years, there shall first be duly set aside a legal reserve of 10% and 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 then be allocated for distribution pursuant to the following order:

1. The dividends distributed to the shareholders shall not exceed one percent (1%) per annum.
2. The remaining balance shall be distributed as the employee bonuses, remuneration for directors and supervisors and the shareholder bonuses.

Among those, employee bonuses shall be five to ten percent (5-10%), and remuneration for directors and supervisors shall not be higher than one percent (1%).

The distribution of profit provided in the preceding paragraph may be distributed together with the cumulative profit that was not distributed in the preceding year.

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

The distribution measures of employee bonuses shall be stipulated by the board of directors; in respect of share dividends, employees to be distributed share dividends may include those of a subordinate company.

## **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.

## Appendix 10

### **E INK HOLDINGS INC. RULES OF ELECTION OF DIRECTORS AND SUPERVISORS**

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

ID (or shareholder ID) or the respective votes is written thereon;

6. the names or number of the nominees' citizen ID (or shareholder ID) is not filled therein; or

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

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

The Company has adopted the candidate system for the election of Independent Directors pursuant to the Company Act, and the election of Directors and Independent Directors shall be concurrently proceeded, with the number of electees calculated respectively. When anyone is simultaneously elected as a Director and a Supervisor, he or she shall determine which to be, and such vacancy therefrom shall be taken by the nominee who receives the second prevailing number of votes. If two or more nominees receive the same number of ballot cast and the remaining vacancy is insufficient, the Director or Supervisor elect shall be decided by lot. If any nominee is not present, the chairperson shall draw the lot on his or her behalf.

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

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

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

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

## Appendix 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.
- 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 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.  
The resolution may also be adopted when there is no disagreement after the person presiding the meeting consults with all shareholders. The effect of the resolutions so adopted shall be the same as those adopted by voting.
- 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 SUPERVISORS AND BONUSES FOR EMPLOYEES**

The details of the remuneration to Directors and Supervisors and the bonuses for employees approved by the Board of Directors on May 3, 2011 are set forth as follows, which will be conducted pursuant to the relevant rules upon the resolution passed at the general meeting on June 24, 2011.

	Employees Bonuses (Cash)	Remuneration to Directors and Supervisors	Total
Amount Approved by the Board of Directors	124,284,256	24,608,283	148,892,539
Amount Showed in the 2010 Annual Financial Statements	125,043,059	25,008,612	150,051,671
Discrepancy	The amount of the employee bonuses approved by the Board of Directors is NT\$758,803 short, and the amount of the Directors and Supervisors remuneration approved by the Board of Directors is NT\$400,329 short. The differences are caused by the change of accounting estimates and will be booked as profit or loss of 2011.		

## **Appendix 13**

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

Not applicable in 2010.

## Appendix 14

### E INK HOLDINGS INC.

#### Number of Shares Held by Each Director and Supervisor on the Record Date of the 2011 Annual General Meeting

List of Directors and Supervisors

Record Date: April 26, 2011

The total issued shares as of April 26, 2011: 1,078,804,630 shares

Position	Name		Date of Election	Number of Shares on Date of Election			Current Number of Shares			Remark
				Type	Number of Shares	Percentage	Type	Number of Shares	Percentage	
Chairman	Su-Cheng Liu	Representatives of Cheng-Yu Co., Ltd.	June 13, 2008	Common Stock	135,614	0.02%	Common Stock	167,137	0.02%	
Director	Yow-Shiuan Fu		June 13, 2008							
Director	Chuang-Chuang Tsai		June 13, 2008							
Director	Show-Chung Ho	Representatives of Yuen Foong Yu Paper Mfg. Co., Ltd.	June 13, 2008	Common Stock	147,007,437	24.89%	Common Stock	113,472,904	10.52%	
Director	Ta-Shau Shih		June 13, 2008							
Director	Chun-Chieh Huang		June 13, 2008							
Director	Cheng-Hao Lee		June 13, 2008							
Independent Director	Ten-Chung Chen		June 13, 2008	Common Stock	0	0.00%	Common Stock	0	0.00%	
Supervisor	Li-Chun Hsiao	Representatives of Yuen Foong Paper Co., Ltd.	June 13, 2008	Common Stock	8,399,360	1.42%	Common Stock	12,847,520	1.19%	
Supervisor	Ching-Yuan Chang		June 13, 2008	Common Stock						
Supervisor	Ching-I Wang		June 13, 2008	Common Stock	0	0.00%	Common Stock	0	0.00%	
Total					155,542,411	26.33%		126,487,561	11.73%	

**Note:** The number of shares legally required to be held by all Directors: 40,000,000 shares; as of April 26, 2011, all Directors held 113,640,041 shares. The number of shares legally required to be held by all Supervisors: 4,000,000 shares; as of April 26, 2011, all Supervisors held 12,847,520 shares.

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

## MEMO