Code: 8069

# E INK HOLDINGS INC.

# 2017 ANNUAL GENERAL MEETING OF STOCKHOLDERS

# MEETING MANUAL

Date: June 20, 2017

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.
# 2017 ANNUAL GENERAL MEETING OF STOCKHOLDERS
# MEETING AGENDA

Date and Time: 9 am, June 20, 2017 (Tuesday)

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

Meeting Procedure:

1. Announcement of the Commencement
2. Chairman’s Opening Remarks
3. Report Items:
   - (1) To report the 2016 business and financial status of the Company
   - (2) To report the 2016 Audit Committee’s Review Report
   - (3) To report the status of the Company's distribution of remuneration of directors and employees
   - (4) To report the execution status of the third share repurchase
   - (5) To report the Third Share Repurchase and Employee Incentive Plan
4. Adoption Items:
   - (1) To adopt the 2016 financial statements of the Company
   - (2) To adopt the proposal for 2016 earnings distribution of the Company
5. Discussion and Election Items:
   - (1) To amend the Company’s Procedures for Acquisition or Disposition of Assets
   - (2) To elect 6 Directors and 3 Independent Directors of the 10th term
   - (3) To release the Company’s newly-appointed directors and representatives from non-compete restrictions
6. Special Motion
7. Announcement of Adjournment

**Report Items:**

<Item 1>

Subject: To report the 2016 business and financial status of the Company

Explanatory Note:

(1) In 2016, the Company has the annual sales revenue of NT$13,112,855,211and the consolidated sales revenue of NT$14,006,206,484 respectively, whosenet profit after tax is NT$1,907,939,253. And the earnings per shareis NT$1.69.

(2) The annual business report and the relevant financial statements of the Company for 2016 are attached hereto as Appendixes 1 and 2 of the Meeting Manual.

(3) Please kindly note.

<Item 2>

Subject: To report the 2016 Audit Committee's Review Report

Explanatory Note:

(1) The 2016 financial statements of the Company have been audited by Deloitte & Touche CPA Firm and, with the business report, earning distribution proposal of the Company, reviewed by the Audit Committee already. The 2016 audited financial statements of the Company and the Audit Committee's review report for 2016 audited financial statements are attached hereto as Appendixes 1 to 3 of the Meeting Manual.

(2) Please kindly note.

<Item 3>

Subject: To report the 2016 status of distribution of the remuneration for employees and directors of the Company.

Explanatory Note:

(1) According to Article 19 of the Company's Articles of Incorporation, "if the Company earns profits in a year, it shall distribute at least one percent (1%) but not more than ten percent (10%) of the profits as employee remuneration and not more than one percent (1%) of the profits as the Directors' remuneration."

(2) The earnings (which are the earnings before tax and the deduction of the earnings distributed as employee and director remuneration) of the Company in 2016 amounts to NT$1,990,156,000 ("profit"). It is proposed to distribute NT$20,000,000 (which accounts

for about 1% of the profit) as employee remuneration and NT$8,600,000 (which accounts for about 0.43% of the profit) as director remuneration; both shall be paid by cash. The employee remuneration will exclude the employees of the Company's subsidiaries.

(3) Please kindly note.

<Item 4>

Subject: To report the execution status of the third share repurchase. Please kindly note.

Explanatory Note:

The execution status of the third share repurchase is illustrated below:

| Item | Notes |
|---|---|
| The plan for third share repurchase(for the fiscal year 2016) | |
| Approved by board resolution | June 13, 2016 |
| Purpose for the share repurchase | To transfer treasury stocks to employees as the incentives in order to retain personnel with high performance and to recruit professional talents. |
| Category of shares to repurchase | Common shares |
| Monetary limit for share repurchase | NT$13,263,604,327 |
| Planned period for repurchase | June 14, 2016 to August 13, 2016 |
| Planned number of shares to repurchase<br>(in proportion to total number of shares issued) | 20,000,000 shares (1.754%) |
| Planned price range for repurchase | NT$13.00 to NT$24.60 |
| Manner of repurchase | From public market |
| Actual execution status of the third share repurchase(for the fiscal year 2016) | |
| Period for repurchase | June 14, 2016 to August 4, 2016 |
| Number of shares repurchased<br>(in proportion to total number of shares issued) | 20,000,000 shares (1.754%) |
| Total repurchase amount paid | NT$360,463,846 |

| | |
|---|---|
| Average repurchase price paid per share | NT$18.02 |

<Item 5>

Subject: To report the Third Share Repurchase and Employee Incentive Plan

Explanatory Note:

(1) The Third Share Repurchase and Employee Incentive Plan was established on June 13, 2016 and amended on August 9, 2016 to conform to the requirement set by competent authority and regulations.

(2) For the Third Share Repurchase and Employee Incentive Plan, please see Appendix 4 of the Meeting Manual, on page 34.

(3) Please kindly note.

**Adoption Items:**

<Item 1> (Proposed by Board of Directors)

Subject: To adopt the 2016 financial statements of the Company

Explanatory Note:

(1) The 2016 financial statements and consolidated financial statements of the Company have been audited by Deloitte & ToucheCPA Firm.

(2) The aforementioned financial statements, consolidated financial statements and the Company's 2016 Business Report are attached hereto as Appendixes 1 to 3 of the Meeting Manual.

(3) Please kindly adopt.

Resolution:

<Item 2> (Proposed by Board of Directors)

Subject: To adopt the proposal for 2016 earnings distribution of the Company

Explanatory Note:

(1) The amount of the Company's accumulated earnings available to distribute is NT$2,402,480,449 as of the beginning of the year. The amount of retained earnings have been reduced to reflect the Investments under equity method of

NT$2,682,116 and re-measurement of defined benefit plan of NT$6,603,667, after adding the Companyĉs 2016 net profit after tax of NT$1,907,939,253 and setting aside legal reserve of NT$190,793,925, the total amount of distributable retained earnings is NT$4,110,339,994.

(2) According to the Articles of Incorporation of the Company, the distributable retained earnings proposed to be distributed are as follows:
The cash dividend per share to be distributed is NT$1.5 which amounts to NT$1,680,701,573 in total.

(3) Shareholders' dividends and bonus shall be distributed to the shareholders listed in the shareholder register based on the number of the shares held on the ex-dividend date and round up to the dollar. The total amount of the fractional shares shall be recognized as the other income of the Company.

(4) Authorize the board of the directors to adjust the proposal according to the total number of outstanding shares on the record date in the case that the number of outstanding shares changes due to the Company's buying back of shares, transferring or eliminating of treasury shares or other reasons resulting in change of total number of outstanding shares and the shareholders' waiving of rights of dividends resulting in change of the dividend distribution percentage.

(5) The 2016 earnings distribution table is attached hereto as Appendix 5 of the Meeting Manual.

(6) Please kindly adopt.

Resolution:

**Discussion and Election Items:**

<Item 1> (Proposed by Board of Directors)

Subject: To amend the Companyøs Procedures for Acquisition or Disposition of Assets

Explanatory Note:

(1) The Financial Supervision Committee (the ñFSCò) has amended the ñRegulations Governing the Acquisition and Disposal of Assets by Public Companiesò on 9 February 2017 per Order No. Financial-Supervisory-Securities-Corporate-1060001296. To follow the above amendment made by the FSC, it is proposed to amend the relevant provisions under the Companyøs Procedures for Acquisition or Disposition of Assets.

(2) The comparison table of the Procedures for Acquisition or Disposition of Assets is attached as the Appendix 6 of the Meeting Manual.

(3) Please kindly discuss.

Resolution:

<Item 2> (Proposed by Board of Directors)

Subject: To elect 6 Directors and 3 Independent Directors for the 10th term

Explanatory Note:

(1) The term of the Directors and Independent Directors for the 9th tenure shall be expired on June 17, 2017.

(2) Pursuant to the Articles of Incorporation, it is proposed to elect 6 Directors and 3 Independent Directors for a three-year tenure of office starting from June 20, 2017 until June 19, 2020.

(3) The election of Directors and Independent Directors shall be proceeded via candidate nomination system. The list of candidates nominated by shareholder(s) holding 1% or more of the Companyøs shares and approved by the board of directorsô meeting is attached as the Appendix 7 of the Meeting Manual.

(4) Please kindly elect.

Resolution:

<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 person 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. Where any newly elected Director for the 10th 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.

(2) As the newly elected directors' concurrent positions in other entities disclosed in the detailed list attached in the venue of the shareholders' meeting after the election does not affect their duty owed to the Company, it is proposed, pursuant to Article 209 of the Company Act, to release the Directors and its representative from non-compete restrictions set forth in article 209 of the Company Act.

(3) Please kindly discuss.

Resolution:

**Special Motion:**

## Appendix 1

# 2016 Business Report

The global economy in 2016 saw fluctuation in accordance with the constant changing global politics. Despite the economic instability, the Company has continued to focus on the goal of becoming constantly profitable through enhancing operational efficiency and focusing on product development and applications. Under the joint efforts of our colleagues, the Company has shown constant improvement in operational performance. In 2016, E Ink had a combined revenue of NT$ 14.01 billion, a gross profit of NT$ 5.12 billion with a gross profit margin of 36% and a net income after tax of NT$ 1.91 billion. The earnings per share (EPS) for 2016 were NT$ 1.69.

In 2016, the Company stepped out from LCD business and focused on the development and manufacturing of electronic paper displays (EPD). The demand for eReaders remains stable. In addition to our top-selling 6-inch EPD, our customers have been gradually shifting their product design to larger-sizes and adding functionalities that enhance reading experiences. This has been a stable revenue source.

Electronic Shelf Labels (ESL) are another major product line which performed very well in 2016. The Company received requests from global customers to deploy ESL in their systems. The luggage eTag, which has spent years in development, has been introduced into the market, and has become a growth driver for ePaper. The accumulated shipments of eTag and ESL have reached over 100 million units.

The Company continues to invest in research and development of EPD to improve the technology and further product development. At SID 2016, the Company demonstrated Advanced Color ePaper (ACeP), a full-color EPD using color particles rather than a color filter array. This technology has been under development for a number of years, and its rich and abundant color saturation received favorable reviews, and it was awarded the Best in Show award 2016 at SID.

The Company is aggressively developing large-sized EPD and new products applying the E Ink MobiusÊ flexible display. At Touch Taiwan 2016, the Company demonstrated flexible and large sized EPD, including the 42-inch and curved 32-inch ePaper signage. In addition, E Ink SpectraÊ 3-color EPD and E Ink PrismÊ have received the Silver Award of Taiwan Excellence and best design award from SEGD and NeoCon, respectively. Those products and markets have the potential for high growth in the coming years.

As EPDs are becoming increasingly adopted in eTag, mobile devices, digital signage, and architecture, the Company has been making efforts in developing evaluation kits for these applications. The goal is to allow product engineers interested in ePaper applications to get access to and apply ePaper modules into their products for testing. This helps potential customers to identify whether it is feasible to apply EPD in certain products. Meanwhile, the Company has been actively engaged in developing cooperative plans with strategic partners. The goal is to integrate cross-field, and with both upstream and downstream supply chain resources, to expand the EPD ecosystem.

This will provide customers with improved and diversified design options.

## Operation Highlights in 2017

With the foundation set in the past few years, the Company will be continuously focusing on the core technology of ePaper and carry on those projects in operational management. The Company will continue to develop cooperative projects with strategic partners to expand the ePaper market and enable growth for new product applications. To achieve our objectives, we will implement the following operational strategies in 2017:

(1) Establish sales- and applications-oriented operational models.
To provide competitive and diversified products, the Company will establish sales- and applications-oriented operational models. We have specific R&D and product development teams for different product applications. We also set up direct product lines and reserved areas for manufacturing to enhance resource allocation efficiency and to enhance values for customers.

(2) Concentrate on ePaper products and continue promoting new products and applications.
In addition to improving products for eReaders and ESLs, the Company will be actively engaged in developing the applications of eTag, eNote, digital signage, architectural materials, and other high value-added products. In 2017, we will expand cooperation with brand customers, system integrators, channels, partners, architects and designers, to expand market reach.

(3) Reinforce pre-sales and technical support
To expand diversified ePaper applications, the Company will invest more resources in pre-sales and technical support to effectively align ePaper technology and product with the customer needs to create better user value and contribute to market expansion.

(4) Continue to establish the EPD ecosystem
The Company has been forming strategic alliances with upstream suppliers and downstream customers, as well as with peripheral industry players. We have also carried out technical cooperation with key component providers to establish a solid EPD ecosystem so as to enhance the profit-making capabilities. In addition, the Company expands cooperation with strategic customers to create ePaper markets and applications together.

## Prospect

The Company is optimistic about the broad applications of ePaper products in eReader, mobile devices, signage and IoT-related markets, due to ePaper’s unique characteristics such as ultra-low power consumption, lightweight, flexible, and sunlight readable. In a new era of environmentally conscious consumers, energy saving products are highly attractive, and product designers are looking for ways to deploy services that deliver information that does not require energy infrastructure improvements. EPD based products have a distinct advantage over other competing options.

In 2017, the Company will strive to improve operational efficiency and allocate more R&D resources. We will continue our efforts in product and technology innovation to create greater value for our customers. With strong support from our team, suppliers, customers, and partners, we believe that we will be able to keep on growing and making profits under the foundation that we have established.

Chairman: Frank Ko
CFO: Patrick Chang
Controller: James Huang

# Appendix 2

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders
E Ink Holdings Inc.

**Opinion**

We have audited the accompanying financial statements of E Ink Holdings Inc. (the Company), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Companyôs financial statements for the year ended December 31, 2016 are stated as follows:

<u>Impairment of Goodwill Included in the Investments in Subsidiaries Accounted for Using Equity Method</u>

As disclosed in Notes 4 and 11 as well as Table 7 to the financial statements, investments accounted for using equity method include acquiring subsidiaries to obtain electronic ink research and development and manufacturing centers, as well as to integrate patents of ePaper techniques. Excess of the cost of acquisition over the Companyôs share of the net fair value of the identifiable assets and liabilities at the date of acquisition was recorded as goodwill, which is material to the overall financial statements, therefore, management annually access the impairment of the excess of the cost in accordance with the International Accounting Standard 36 ñImpairment of Assetsò.

Management assess the excess of the cost for any impairment by comparing the carrying amount with the calculated recoverable amount as assessed based on the entire financial statements of the subsidiaries. In order to perform the assessment, management need to estimate future operating cash flows allocated to the subsidiaries and determine their suitable discount rates to calculate the recoverable amount. When determining future operating cash flows, management consider the forecasted growth rate of sales and profit rate, etc. based on future operating perspective of the subsidiaries to calculate weighted average cost of capital as their discount rates. Since the major assumptions are subject to management's judgement and may be variable to future market or prosperity of economy, which has its uncertainty, the impairment of excess of the cost has been identified as a key audit matter.

Our key audit procedures performed in respective of the above area included the following:

1. Understood the related process and controls that management used to assess the impairment, including basis of assumptions and source of the data used in evaluation.

2. Evaluated whether management has taken into account the Company's recent operating performance and its industry conditions when estimating future growth of sales and profit rate to assess their achievability.

3. Adopted our internal financial advisory specialists to evaluate the reasonableness of the discount rates that management used, and re-performed to check the calculation.

Impairment of Inventories

As disclosed in Notes 4 and 10 to the financial statements, inventories of the Company are stated at the lower of cost or net realizable value. Management estimate net realizable value based on current market conditions and historical experience with product sales of a similar nature. Impairment is recognized on inventories without any moving for certain periods. Rapid changes in the development of technology and market conditions may have influence on the estimation, and results in obsolete and aged inventories. Consequently, impairment of inventories has been identified as a key audit matter.

Our key audit procedures performed in respective of the above area included the following:

1. Understood management's accounting policy and method of calculation of obsolete and aged inventories, and inquired if there were significant issues in the current year that would impact the accounting treatment.

2. Evaluated the process and basis on management's decision on the impairment ratio of obsolete and aged inventories, and examined the conditions of obsolete and aged inventories when performing inventories physical counts, to confirm the reasonableness of impairment recognized on inventories.

3. Acquired inventory aging reports and, with the assistance of our internal computer audit specialists, tested the consistency of inventories movement with management's estimation.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Companyǿs ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the audit committee, are responsible for overseeing the Companyǿs financial reporting process.

**Auditors’ Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditorsô report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companyǿs internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of managementǿs use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companyǿs ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditorsô report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditorsô report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditorsô report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditorsô report are Ya-Ling Wong and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2017

*Notice to Readers*

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

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

# E INK HOLDINGS INC.

**BALANCE SHEETS**
**DECEMBER 31, 2016 AND 2015**
**(In Thousands of New Taiwan Dollars)**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | $ 873,221 | 3 | $ 724,453 | 2 |
| Debt investments with no active market | - | - | 600,000 | 2 |
| Accounts receivable | 491,967 | 2 | 204,357 | 1 |
| Accounts receivable from related parties | 3,306,359 | 10 | 3,017,349 | 9 |
| Other receivables from related parties | 82,533 | - | 31,652 | - |
| Inventories | 916,313 | 3 | 850,819 | 2 |
| Prepayments | 94,356 | - | 236,675 | 1 |
| Other current assets | 46,926 | - | 53,727 | - |
| Total current assets | 5,811,675 | 18 | 5,719,032 | 17 |
| NON-CURRENT ASSETS | | | | |
| Available-for-sale financial assets | 700,166 | 2 | 658,747 | 2 |
| Financial assets measured at cost | 22,305 | - | 22,305 | - |
| Investments accounted for using equity method | 24,288,540 | 74 | 24,611,753 | 74 |
| Property, plant and equipment | 1,511,731 | 5 | 1,770,660 | 5 |
| Other intangible assets | 198,165 | - | 123,694 | 1 |
| Deferred tax assets | 227,774 | 1 | 242,954 | 1 |
| Other non-current assets | 52,252 | - | 62,900 | - |
| Total non-current assets | 27,000,933 | 82 | 27,493,013 | 83 |
| TOTAL | $ 32,812,608 | 100 | $ 33,212,045 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings | $ - | - | $ 100,000 | - |
| Notes and accounts payable | 985,728 | 3 | 772,153 | 3 |
| Accounts payable to related parties | 4,051,329 | 12 | 3,413,236 | 10 |
| Other payables | 477,616 | 2 | 519,397 | 2 |
| Other payables to related parties | 13,893 | - | 7,538 | - |
| Current tax liabilities | 29,498 | - | 4,070 | - |
| Receipts in advance | 75,465 | - | 11,889 | - |
| Current portion of long-term borrowings | - | - | 1,647,571 | 5 |
| Other current liabilities | 32,686 | - | 31,881 | - |
| Total current liabilities | 5,666,215 | 17 | 6,507,735 | 20 |
| OTHER NON-CURRENT LIABILITIES | 56,378 | - | 24,499 | - |
| Total liabilities | 5,722,593 | 17 | 6,532,234 | 20 |
| EQUITY | | | | |
| Share capital | 11,404,677 | 35 | 11,404,677 | 34 |
| Capital surplus | 10,071,683 | 31 | 10,071,578 | 30 |
| Retained earnings | | | | |
| Legal reserve | 1,113,687 | 4 | 1,059,754 | 3 |
| Special reserve | 70,678 | - | 70,678 | 1 |
| Unappropriated earnings | 4,301,134 | 13 | 2,992,433 | 9 |
| Total retained earnings | 5,485,499 | 17 | 4,122,865 | 13 |
| Other equity | 488,620 | 1 | 1,080,691 | 3 |
| Treasury shares | (360,464) | (1) | - | - |
| Total equity | 27,090,015 | 83 | 26,679,811 | 80 |
| TOTAL | $ 32,812,608 | 100 | $ 33,212,045 | 100 |

## E INK HOLDINGS INC.

### STATEMENTS OF COMPREHENSIVE INCOME
### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
### (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| OPERATING REVENUE | $ 13,112,855 | 100 | $ 12,501,126 | 100 |
| OPERATING COSTS | 11,372,610 | 87 | 10,527,339 | 84 |
| GROSS PROFIT | 1,740,245 | 13 | 1,973,787 | 16 |
| OPERATING EXPENSES | | | | |
| Selling and marketing expenses | 184,341 | 1 | 180,486 | 2 |
| General and administrative expenses | 789,521 | 6 | 646,553 | 5 |
| Research and development expenses | 635,614 | 5 | 635,024 | 5 |
| Total operating expenses | 1,609,476 | 12 | 1,462,063 | 12 |
| INCOME FROM OPERATIONS | 130,769 | 1 | 511,724 | 4 |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income | 12,808 | - | 33,415 | - |
| Royalty income | 12,798 | - | 30,716 | - |
| Dividend income | 26,350 | - | 30,990 | - |
| Other income | 25,003 | - | 30,463 | - |
| Interest expense | (16,340) | - | (61,226) | - |
| Share of profit of subsidiaries and associates | 1,914,510 | 15 | 100,200 | 1 |
| Net gain (loss) on foreign currency exchange | (15,644) | - | 80,335 | 1 |
| Net loss on fair value change of financial assets at fair value through profit or loss | - | - | (58,813) | - |
| Impairment loss | (128,699) | (1) | (64,059) | (1) |
| Total non-operating income and expenses | 1,830,786 | 14 | 122,021 | 1 |
| INCOME BEFORE INCOME TAX | 1,961,555 | 15 | 633,745 | 5 |
| INCOME TAX EXPENSE | (53,616) | - | (94,415) | (1) |
| NET INCOME FOR THE YEAR | 1,907,939 | 15 | 539,330 | 4 |

(Continued)

# E INK HOLDINGS INC.

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | $ (7,956) | - | $ (14,178) | - |
| Share of the other comprehensive loss of subsidiaries accounted for using the equity method | (2,682) | - | (11,686) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | 1,353 | - | 2,410 | - |
| | (9,285) | - | (23,454) | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Unrealized gain (loss) on available-for-sale financial assets | 41,419 | - | (174,115) | (2) |
| Share of the other comprehensive loss of subsidiaries accounted for using the equity method | (633,490) | (5) | (286,000) | (2) |
| | (592,071) | (5) | (460,115) | (4) |
| Other comprehensive loss for the year, net of income tax | (601,356) | (5) | (483,569) | (4) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 1,306,583 | 10 | $ 55,761 | - |
| EARNINGS PER SHARE | | | | |
| Basic | $1.69 | | $0.47 | |
| Diluted | $1.69 | | $0.47 | |

(Concluded)

**E INK HOLDINGS INC.**

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
**(In Thousands of New Taiwan Dollars)**

| | Share Capital | | | Retained Earnings | | | Other Equity | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares (In Thousands) | Amount | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Treasury Shares | Total Equity |
| BALANCE AT JANUARY 1, 2015 | 1,140,468 | $ 11,404,677 | $ 10,071,578 | $ 1,058,406 | $ 70,678 | $ 2,487,381 | $ 1,082,006 | $ 458,800 | $ - | $ 26,633,526 |
| Legal reserve | - | - | - | 1,348 | - | (1,348) | - | - | - | - |
| Net income for the year ended December 31, 2015 | - | - | - | - | - | 539,330 | - | - | - | 539,330 |
| Other comprehensive loss for the year ended December 31, 2015, net of income tax | - | - | - | - | - | (23,454) | (115,532) | (344,583) | - | (483,569) |
| Total comprehensive income (loss) for the year ended December 31, 2015 | - | - | - | - | - | 515,876 | (115,532) | (344,583) | - | 55,761 |
| Partial acquisition of interests in subsidiaries | - | - | - | - | - | (9,476) | - | - | - | (9,476) |
| BALANCE AT DECEMBER 31, 2015 | 1,140,468 | 11,404,677 | 10,071,578 | 1,059,754 | 70,678 | 2,992,433 | 966,474 | 114,217 | - | 26,679,811 |
| Appropriation of 2015 earnings | | | | | | | | | | |
| Legal reserve | - | - | - | 53,933 | - | (53,933) | - | - | - | - |
| Cash dividends | - | - | - | - | - | (536,020) | - | - | - | (536,020) |
| Change in equity from investments in associates accounted for using equity method | - | - | 105 | - | - | - | - | - | - | 105 |
| Net income for the year ended December 31, 2016 | - | - | - | - | - | 1,907,939 | - | - | - | 1,907,939 |
| Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax | - | - | - | - | - | (9,285) | (704,770) | 112,699 | - | (601,356) |
| Total comprehensive income (loss) for the year ended December 31, 2016 | - | - | - | - | - | 1,898,654 | (704,770) | 112,699 | - | 1,306,583 |
| Acquisition of treasury shares - 20,000 thousand shares | - | - | - | - | - | - | - | - | (360,464) | (360,464) |
| BALANCE AT DECEMBER 31, 2016 | 1,140,468 | $ 11,404,677 | $ 10,071,683 | $ 1,113,687 | $ 70,678 | $ 4,301,134 | $ 261,704 | $ 226,916 | $ (360,464) | $ 27,090,015 |

## E INK HOLDINGS INC.

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
**(In Thousands of New Taiwan Dollars)**

| | 2016 | 2015 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 1,961,555 | $ 633,745 |
| Adjustments for: | | |
| Depreciation expenses | 267,257 | 261,208 |
| Amortization expenses | 29,888 | 33,020 |
| Reversal of impairment loss on accounts receivable | (10,600) | - |
| Net loss on fair value change of financial assets at fair value through profit or loss | - | 58,813 |
| Interest expenses | 16,340 | 61,226 |
| Interest income | (12,808) | (33,415) |
| Dividend income | (26,350) | (30,990) |
| Share of profit of subsidiaries and associates | (1,914,510) | (100,200) |
| Net gain on disposal of property, plant and equipment | (98) | (2) |
| Impairment loss recognized on non-financial assets | 128,699 | 64,059 |
| Reversal of write-down of inventories | (150,398) | (285,000) |
| Net unrealized gain on foreign currency exchange | (52,401) | (74,242) |
| Royalty income | (12,798) | (30,716) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (272,800) | 190,544 |
| Accounts receivable from related parties | (269,094) | (83,961) |
| Inventories | 84,904 | 396,206 |
| Prepayments | 142,319 | (155,148) |
| Other current assets | 4,441 | 27,601 |
| Notes and accounts payable | 204,332 | 268,653 |
| Accounts payable to related parties | 655,865 | (1,987,369) |
| Other payables | (44,134) | 41,752 |
| Receipts in advance | 76,374 | (102,724) |
| Other current liabilities | 19,946 | (4,251) |
| Cash generated from (used in) operations | 825,929 | (851,191) |
| Income tax paid | (10,031) | (82,939) |
| Net cash generated from (used in) operating activities | 815,898 | (934,130) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from capital reduction of available-for-sale financial assets | - | 18,923 |
| Proceeds from repayments of debt investments with no active market | 600,000 | 600,000 |
| Proceeds from disposal of investment accounted for using equity method | 1,251,070 | - |
| Proceeds from capital reduction of investments accounted for using equity method | - | 3,697,675 |
| Payments for property, plant and equipment | (135,027) | (172,502) |
| Proceeds from disposal of property, plant and equipment | 114 | 76 |
| Increase in other receivables from related parties | (52,896) | (5,977) |
| Payments for other intangible assets | (93,942) | (34,744) |
| Decrease (increase) in other non-current assets | 231 | (50,068) |

(Continued)

# E INK HOLDINGS INC.

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
**(In Thousands of New Taiwan Dollars)**

| | 2016 | 2015 |
|---|---|---|
| Interest received | $ 18,313 | $ 38,723 |
| Dividends received | 376,936 | 91,575 |
| Net cash generated from investing activities | 1,964,799 | 4,183,681 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in short-term borrowings | (100,000) | (1,030,015) |
| Repayments of long-term borrowings | (1,624,771) | (2,229,544) |
| Increase in other payables to related parties | 6,127 | 7,026 |
| Decrease in other non-current liabilities | (1) | (1,682) |
| Cash dividends | (536,020) | - |
| Cash paid for acquisition of treasury shares | (360,464) | - |
| Interest paid | (16,800) | (62,379) |
| Net cash used in financing activities | (2,631,929) | (3,316,594) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 148,768 | (67,043) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 724,453 | 791,496 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 873,221 | $ 724,453 |

(Concluded)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
E Ink Holdings Inc.

### Opinion

We have audited the accompanying consolidated financial statements of E Ink Holdings Inc. and subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Groupõs consolidated financial statements for the year ended December 31, 2016 are stated as follows:

<u>Impairment of Goodwill</u>

As disclosed in Notes 4 and 16 as well as Table 7 to the consolidated financial statements, the Groupõs goodwill was arisen from acquiring related subsidiaries to obtain electronic ink research and development and manufacturing centers, as well as to integrate patents of ePaper techniques. The amount of goodwill is material to the overall consolidated financial statements, therefore, management annually access the impairment of goodwill in accordance with the IAS 36 ñImpairment of Assetsò.

Management assess goodwill for any impairment by comparing the carrying amount with the calculated recoverable amount as assessed based on the entire consolidated financial statements of the subsidiaries. In order to perform the assessment, management need to estimate future operating cash flows allocated to the subsidiaries and determine their suitable discount rates to calculate the recoverable amount. When determining future operating cash flows, management consider the forecasted growth rate of sales and profit rate, etc. based on future operating perspective of the subsidiaries to calculate weighted average cost of capital as their discount rates. Since the major assumptions are subject to management's judgement and may be variable to future market or prosperity of economy, which has its uncertainty, the impairment of goodwill has been identified as a key audit matter.

Our key audit procedures performed in respective of the above area included the following:

1. Understood the related process and controls that management used to assess the impairment of goodwill, including basis of assumptions and source of the data used in evaluation.

2. Evaluated whether management has taken into account the Group's recent operating performance and its industry conditions when estimating future growth of sales and profit rate to assess their achievability.

3. Adopted our internal financial advisory specialists to evaluate the reasonableness of the discount rates that management used, and re-performed to check the calculation.

<u>Impairment of Inventories</u>

As disclosed in Notes 4 and 12 to the consolidated financial statements, inventories of the Group are stated at the lower of cost or net realizable value. Management estimate net realizable value based on current market conditions and historical experience with product sales of a similar nature. Impairment is recognized on inventories without any moving for certain periods. Rapid changes in the development of technology and market conditions may have influence on the estimation, and results in obsolete and aged inventories. Consequently, impairment of inventories has been identified as a key audit matter.

Our key audit procedures performed in respective of the above area included the following:

1. Understood management's accounting policy and method of calculation of obsolete and aged inventories, and inquired if there were significant issues in the current year that would impact the accounting treatment.

2. Evaluated the process and basis on management's decision on the impairment ratio of obsolete and aged inventories, and examined the conditions of obsolete and aged inventories when performing inventories physical counts, to confirm the reasonableness of impairment recognized on inventories.

3. Acquired inventory aging reports and, with the assistance of our internal computer audit specialists, tested the consistency of inventories movement with management's estimation.

**Other Matter**

We have also audited the financial statements of E Ink Holdings Inc. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Groupôs ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the audit committee, are responsible for overseeing the Groupôs financial reporting process.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditorsô report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Groupôs internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of managementôs use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Groupôs ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditorsô report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditorsô report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditorsô report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditorsô report are Ya-Ling Wong and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2017

<u>*Notice to Readers*</u>

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

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

## E INK HOLDINGS INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2016 AND 2015**
**(In Thousands of New Taiwan Dollars)**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | $ 8,564,749 | 26 | $ 6,582,175 | 20 |
| Financial assets at fair value through profit or loss | 405,325 | 1 | 410,217 | 1 |
| Debt investments with no active market | 435,596 | 1 | 600,000 | 2 |
| Accounts receivable | 1,582,573 | 5 | 1,548,753 | 5 |
| Accounts receivable from related parties | 43,143 | - | 18,178 | - |
| Other receivables | 243,369 | 1 | 1,094,066 | 3 |
| Current tax assets | 425,835 | 1 | 110,575 | - |
| Inventories | 1,461,343 | 4 | 1,430,087 | 4 |
| Prepayments | 240,633 | 1 | 182,348 | 1 |
| Non-current assets held for sale | 973,212 | 3 | 1,167,734 | 3 |
| Other financial assets | 23,244 | - | 362,080 | 1 |
| Other current assets | 308,200 | 1 | 224,592 | 1 |
| Total current assets | 14,707,222 | 44 | 13,730,805 | 41 |
| NON-CURRENT ASSETS | | | | |
| Available-for-sale financial assets | 1,787,015 | 5 | 1,674,342 | 5 |
| Financial assets measured at cost | 300,255 | 1 | 125,924 | - |
| Investments accounted for using equity method | 114,291 | - | 53,306 | - |
| Property, plant and equipment | 5,319,822 | 16 | 6,497,167 | 19 |
| Goodwill | 6,907,594 | 21 | 6,954,923 | 21 |
| Other intangible assets | 2,270,881 | 7 | 2,506,907 | 8 |
| Deferred tax assets | 1,689,278 | 5 | 1,528,756 | 5 |
| Other non-current assets | 317,205 | 1 | 353,096 | 1 |
| Total non-current assets | 18,706,341 | 56 | 19,694,421 | 59 |
| TOTAL | $ 33,413,563 | 100 | $ 33,425,226 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings | $ 451,500 | 1 | $ 100,000 | - |
| Notes and accounts payable | 1,125,715 | 3 | 1,014,974 | 3 |
| Accounts payable to related parties | 10,679 | - | 10,520 | - |
| Other payables | 1,264,464 | 4 | 1,223,136 | 4 |
| Current tax liabilities | 74,052 | - | 46,271 | - |
| Provisions | 482,188 | 2 | 734,561 | 2 |
| Receipts in advance | 1,528,641 | 5 | 718,756 | 2 |
| Current portion of long-term borrowings | 129,000 | - | 2,130,573 | 7 |
| Other current liabilities | 77,711 | - | 58,014 | - |
| Total current liabilities | 5,143,950 | 15 | 6,036,805 | 18 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings | 170,981 | 1 | 302,892 | 1 |
| Deferred revenue - non-current | 906,903 | 3 | 400,886 | 1 |
| Net defined benefit liabilities | 64,470 | - | 80,363 | - |
| Other non-current liabilities | 38,120 | - | 20,750 | - |
| Total non-current liabilities | 1,180,474 | 4 | 804,891 | 2 |
| Total liabilities | 6,324,424 | 19 | 6,841,696 | 20 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | |
| Share capital | 11,404,677 | 34 | 11,404,677 | 34 |
| Capital surplus | 10,071,683 | 30 | 10,071,578 | 30 |
| Retained earnings | | | | |
| Legal reserve | 1,113,687 | 3 | 1,059,754 | 3 |
| Special reserve | 70,678 | - | 70,678 | 1 |
| Unappropriated earnings | 4,301,134 | 13 | 2,992,433 | 9 |
| Total retained earnings | 5,485,499 | 16 | 4,122,865 | 13 |
| Other equity | 488,620 | 2 | 1,080,691 | 3 |
| Treasury shares | (360,464) | (1) | - | - |
| Total equity attributable to owners of the Company | 27,090,015 | 81 | 26,679,811 | 80 |
| NON-CONTROLLING INTERESTS | (876) | - | (96,281) | - |
| Total equity | 27,089,139 | 81 | 26,583,530 | 80 |
| TOTAL | $ 33,413,563 | 100 | $ 33,425,226 | 100 |

# E INK HOLDINGS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| OPERATING REVENUE | $ 14,006,206 | 100 | $ 13,306,503 | 100 |
| OPERATING COSTS | 8,885,660 | 64 | 9,157,773 | 69 |
| GROSS PROFIT | 5,120,546 | 36 | 4,148,730 | 31 |
| OPERATING EXPENSES | | | | |
| Selling and marketing expenses | 528,498 | 4 | 538,869 | 4 |
| General and administrative expenses | 2,684,352 | 19 | 2,341,891 | 17 |
| Research and development expenses | 1,847,108 | 13 | 1,717,187 | 13 |
| Total operating expenses | 5,059,958 | 36 | 4,597,947 | 34 |
| INCOME (LOSS) FROM OPERATIONS | 60,588 | - | (449,217) | (3) |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income | 74,546 | - | 127,947 | 1 |
| Royalty income | 2,254,572 | 16 | 2,983,068 | 22 |
| Dividend income | 74,702 | - | 98,531 | 1 |
| Other income | 75,260 | 1 | 122,624 | 1 |
| Share of loss of associates and joint ventures | (10,800) | - | (46,224) | - |
| Interest expense | (29,677) | - | (86,521) | (1) |
| Net gain (loss) on disposal of property, plant and equipment | 26,427 | - | (70,629) | (1) |
| Net gain (loss) on disposal of investments | (4,202) | - | 99,248 | 1 |
| Net gain on foreign currency exchange | 105,185 | 1 | 197,424 | 1 |
| Net gain (loss) on fair value change of financial assets at fair value through profit or loss | 268 | - | (56,491) | - |
| Impairment loss | (178,170) | (1) | (119,835) | (1) |
| Other expenses | (40,175) | - | (52,960) | - |
| Total non-operating income and expenses | 2,347,936 | 17 | 3,196,182 | 24 |
| INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 2,408,524 | 17 | 2,746,965 | 21 |
| INCOME TAX EXPENSE | (350,615) | (2) | (317,792) | (3) |
| NET INCOME FROM CONTINUING OPERATIONS | 2,057,909 | 15 | 2,429,173 | 18 |
| LOSS FROM DISCONTINUING OPERATIONS | (64,588) | (1) | (1,861,568) | (14) |
| NET INCOME FOR THE YEAR | 1,993,321 | 14 | 567,605 | 4 |

(Continued)

# E INK HOLDINGS INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | $ (10,787) | - | $ (26,514) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | 1,353 | - | 2,410 | - |
| | (9,434) | - | (24,104) | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | (689,513) | (5) | (110,425) | (1) |
| Unrealized gain (loss) on available-for-sale financial assets | 112,699 | 1 | (344,583) | (2) |
| Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method | (5,085) | - | (1,973) | - |
| | (581,899) | (4) | (456,981) | (3) |
| Other comprehensive loss for the year, net of income tax | (591,333) | (4) | (481,085) | (3) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 1,401,988 | 10 | $ 86,520 | 1 |
| NET INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 1,907,939 | 14 | $ 539,330 | 4 |
| Non-controlling interests | 85,382 | - | 28,275 | - |
| | $ 1,993,321 | 14 | $ 567,605 | 4 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 1,306,583 | 9 | $ 55,761 | 1 |
| Non-controlling interests | 95,405 | 1 | 30,759 | - |
| | $ 1,401,988 | 10 | $ 86,520 | 1 |

(Continued)

# E INK HOLDINGS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
## (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| EARNINGS PER SHARE | | | | |
| From continuing and discontinued operations | | | | |
| Basic | $1.69 | | $0.47 | |
| Diluted | $1.69 | | $0.47 | |
| From continuing operations | | | | |
| Basic | $1.74 | | $2.02 | |
| Diluted | $1.74 | | $2.02 | |

(Concluded)

# E INK HOLDINGS INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
**(In Thousands of New Taiwan Dollars)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | | | Retained Earnings | | | Other Equity | | | | | |
| | Shares (In Thousands) | Amount | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Treasury Shares | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2015 | 1,140,468 | $ 11,404,677 | $ 10,071,578 | $ 1,058,406 | $ 70,678 | $ 2,487,381 | $ 1,082,006 | $ 458,800 | $ - | $ 26,633,526 | $ (120,524) | $ 26,513,002 |
| Legal reserve | - | - | - | 1,348 | - | (1,348) | - | - | - | - | - | - |
| Net income for the year ended December 31, 2015 | - | - | - | - | - | 539,330 | - | - | - | 539,330 | 28,275 | 567,605 |
| Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax | - | - | - | - | - | (23,454) | (115,532) | (344,583) | - | (483,569) | 2,484 | (481,085) |
| Total comprehensive income (loss) for the year ended December 31, 2015 | - | - | - | - | - | 515,876 | (115,532) | (344,583) | - | 55,761 | 30,759 | 86,520 |
| Partial acquisition of interests in subsidiaries | - | - | - | - | - | (9,476) | - | - | - | (9,476) | (6,516) | (15,992) |
| BALANCE AT DECEMBER 31, 2015 | 1,140,468 | 11,404,677 | 10,071,578 | 1,059,754 | 70,678 | 2,992,433 | 966,474 | 114,217 | - | 26,679,811 | (96,281) | 26,583,530 |
| Appropriation of 2015 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 53,933 | - | (53,933) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (536,020) | - | - | - | (536,020) | - | (536,020) |
| Change in equity from investments in associates accounted for using equity method | - | - | 105 | - | - | - | - | - | - | 105 | - | 105 |
| Net income for the year ended December 31, 2016 | - | - | - | - | - | 1,907,939 | - | - | - | 1,907,939 | 85,382 | 1,993,321 |
| Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax | - | - | - | - | - | (9,285) | (704,770) | 112,699 | - | (601,356) | 10,023 | (591,333) |
| Total comprehensive income (loss) for the year ended December 31, 2016 | - | - | - | - | - | 1,898,654 | (704,770) | 112,699 | - | 1,306,583 | 95,405 | 1,401,988 |
| Acquisition of treasury shares - 20,000 thousand shares | - | - | - | - | - | - | - | - | (360,464) | (360,464) | - | (360,464) |
| BALANCE AT DECEMBER 31, 2016 | 1,140,468 | $ 11,404,677 | $ 10,071,683 | $ 1,113,687 | $ 70,678 | $ 4,301,134 | $ 261,704 | $ 226,916 | $ (360,464) | $ 27,090,015 | $ (876) | $ 27,089,139 |

# E INK HOLDINGS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
## (In Thousands of New Taiwan Dollars)

| | 2016 | 2015 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax from continuing operations | $ 2,408,524 | $ 2,746,965 |
| Loss before income tax from discontinued operations | (384,150) | (2,507,128) |
| Income before income tax | 2,024,374 | 239,837 |
| Adjustments for: | | |
| Depreciation expenses | 893,220 | 1,251,936 |
| Amortization expenses | 417,554 | 414,103 |
| (Reversal of) impairment loss recognized on accounts receivable | (11,245) | 20,660 |
| Net loss (gain) on fair value change of financial assets at fair value through profit or loss | (268) | 56,491 |
| Interest expense | 29,677 | 86,521 |
| Interest income | (74,546) | (127,947) |
| Dividend income | (74,702) | (98,531) |
| Share of loss of associates and joint ventures | 10,800 | 46,224 |
| Net loss (gain) on disposal of property, plant and equipment | (26,427) | 70,818 |
| Net gain on disposal of non-current assets held for sale | (5,808) | - |
| Net loss (gain) on disposal of investments | 4,202 | (99,248) |
| Impairment loss recognized on non-financial assets | 328,046 | 264,823 |
| (Reversal of) write-down of inventories | (232,336) | (822,164) |
| Net unrealized gain on foreign currency exchange | (17,498) | (53,446) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (9,369) | 858,874 |
| Accounts receivable from related parties | (24,965) | 45,984 |
| Other receivables | 832,097 | (573,668) |
| Inventories | 170,737 | 1,445,147 |
| Prepayments | (59,783) | 22,349 |
| Other current assets | (93,460) | (9,643) |
| Notes and accounts payable | 107,925 | (507,761) |
| Accounts payable to related parties | 159 | (27,586) |
| Other payables | 56,562 | (29,074) |
| Provisions | (231,888) | 657,801 |
| Receipts in advance | 1,343,318 | (100,030) |
| Other current liabilities | 19,936 | (500,055) |
| Net defined benefit liabilities | (25,997) | (356,564) |
| Cash generated from operations | 5,350,315 | 2,175,851 |
| Income tax received (paid) | (521,847) | 284,225 |
| Net cash generated from operating activities | 4,828,468 | 2,460,076 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds on sale of available-for-sale financial assets | - | 26,797 |
| Proceeds from capital reduction of available-for-sale financial assets | - | 18,923 |
| Purchase of debt investments with no active market | (435,596) | - |
| Proceeds from repayments of debt investments with no active market | 600,000 | 600,000 |
| Purchase of financial assets measured at cost | (191,470) | - |

(Continued)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS
### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
### (In Thousands of New Taiwan Dollars)

| | 2016 | 2015 |
|---|---|---|
| Proceeds on sale of financial assets measured at cost | $ - | $ 903,318 |
| Acquisitions of associates and joint ventures | (83,697) | (50,591) |
| Proceeds on sale of associates | - | 91,742 |
| Proceed from disposal of non-current assets held for sale | 6,003 | - |
| Payments for property, plant and equipment | (303,217) | (370,152) |
| Proceeds from disposal of property, plant and equipment | 180,527 | 46,514 |
| Payments for other intangible assets | (196,721) | (40,390) |
| Decrease (increase) in other financial assets | 333,740 | (362,080) |
| Decrease (increase) in other non-current assets | 15,350 | (24,672) |
| Interest received | 78,769 | 137,136 |
| Dividend received | 74,702 | 98,531 |
| Net cash generated from investing activities | 78,390 | 1,075,076 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term borrowings | 351,682 | (1,696,534) |
| Repayments of long-term borrowings | (2,093,750) | (3,099,260) |
| Increase (decrease) in other non-current liabilities | 11,186 | (15,552) |
| Cash dividends | (536,020) | - |
| Cash paid for acquisition of treasury shares | (360,464) | - |
| Interest paid | (30,038) | (88,325) |
| Changes in non-controlling interests | - | (15,992) |
| Net cash used in financing activities | (2,657,404) | (4,915,663) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | (266,880) | (161,608) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,982,574 | (1,542,119) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 6,582,175 | 8,124,294 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 8,564,749 | $ 6,582,175 |

(Concluded)

## Appendix 3

### AUDIT COMMITTEE'S REVIEW REPORT

To: The Company's 2017 Annual General Meeting of Stockholders

The Board of Directors has prepared the Company's 2016 financial statements, consolidated financial statements. And the certified accountants appointed by the Board of Directors, Wong, Ya-Ling and Shao, Chih-Ming of Deloitte & Touche, a CPA firm, have completed the audit to the Company's financial statements and issued an audit report thereof.

In addition, the 2016 business report and proposal of earnings distribution prepared by the Board of Directors have been reviewed and determined to have been conducted pursuant to Company Act and relative regulations by us, so according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report to the 2017 Annual General Meeting of shareholders of the Company.

E INK HOLDINGS INC.
Chairman of the Audit Committee: Ten Chung Chen
Date: March 22, 2017

## Appendix 4

# E INK HOLDINGS INC.

## Third Share Repurchase and Employee Incentive Plan

Adoption date: June 13, 2016
First amendment: August 9, 2016

Article 1 In order to enhance execution performance of projects, to recruit professional talents and to retain employees with high performance, pursuant to subparagraph 1 of paragraph 1 of Article 28-2 of Securities and Exchange Act, Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies by Financial Supervisory Commission and other related laws, the Company has established this Share Repurchase and Employee Incentive Plan (the "Plan"). On June 13, 2016, the Board of Directors has resolved to repurchase the Company's shares and transfer to above-mentioned employees, and that except as otherwise regulated in relevant laws, the it shall be conducted according to this Plan.

(Approval for Transferee and Number of Shares)

Article 2 Projects, employees participating in the projects, professional talents recruited that are qualified pursuant to the preceding article and the number of shares allowed for subscription should be submitted to the Compensation Committee for review then submitted to the Board of Directors for approval. The employees qualified as transferees set forth include employees of the Company or of any of its Subsidiaries, domestic or overseas ("Subsidiaries" shall have the meaning given in item 1, (2) in Order No. Financial-Supervisory-Securities-I-0960073134 on December 26, 2007 of FSC.)

(Type of Shares to Be Transferred, Rights and Limitations of the Rights)

Article 3 The shares to be transferred to employees (the "Shares") shall be common shares of the Company. Unless as otherwise provided for in the Plan and relevant laws, the Shares bear the identical rights and obligations as other outstanding common shares of the Company.

(Transfer Period)

Article 4 The shares repurchased by the Company can be transferred by installments within three years from the date of buyback in accordance with the Plan.

(Rules of Allotment and Procedures of Transfer)

Article 5 An employee shall be deemed to have waived the right for the number of shares such employee is entitled to subscribe according to the resolution of Board of Directors of Article 2 if subscription or payment is not made during the set period for subscription or payment. For Shares not subscribed, the Chairman of the Board is authorized to engage other qualified employees to subscript.

(Procedures for Transfer)

Article 6 The procedures for transfer of repurchased Shares are as follows:

(1) The Company shall make announcement and report and repurchase the Shares within the execution period in accordance with the resolution of the Board of Directors.

(2) The Chairman of the Board is authorized to decide and announce the record date of subscription, the subscription and payment period, the rights and limitations of shares, etc. according to this Plan.

(3) The Company shall calculate the number of Shares actually subscribed and paid for then transfer those Shares and register such transfer.

(Transfer Price per Share)

Article 7 The transfer price of the Shares equals to the average of the actual share repurchase price. If the number of the Company's issued common shares increases or decreases prior to transfer, the transfer price may be adjusted in proportion to the actual number of issued shares at that time (rounded off to the second decimal place).

Adjustment formula of the transfer price:

Adjusted transfer price = average of the actual share repurchase price × ( number of issued common shares at the time repurchase is reported / number of issued common shares prior to transfer of repurchased Shares to employees.

(Rights and Obligations of Shares after Transfer)

Article 8 After Shares have been transferred to employees and such transfer has been registered, unless otherwise provided, the rights and obligations shall be identical with those attached to common shares.

Article 9 The Company shall transfer all of the repurchased Shares to employees within three years from the last date of actual repurchase period. The Shares that has not been transferred after expiry of the foregoing time limit shall be deemed as not yet been issued and the Company shall register cancellation of such shares accordingly.

Article 10 The Plan shall take affect upon adoption of the resolution by the Board of Directors and may be submitted to the Board of Directors for a resolution for amendment.

Article 11 After the repurchase period resolved by the Board of Directors expires or the Plan is fully carried out (whichever happens first), the Plan shall be reported at the most recent Shareholdersô meeting.

**Appendix 5**

## E INK HOLDINGS INC.
## 2016 EARNINGS DISTRIBUTION STATEMENT

Unit: NTD

| Item | Amount (NTD) | Note |
|---|---|---|
| **Retained earnings at the beginning of this fiscal year** | $2,402,480,449 | |
| Adjustment on retained earnings for Investments under equity method | (2,682,116) | |
| Recognition of re-measurement of defined benefit plan in retained earnings | (6,603,667) | |
| **Adjusted retained earnings** | **$2,393,194,666** | |
| | | |
| Plus: Net profit after tax of 2016 | 1,907,939,253 | |
| Deduct: 10% legal reserve | (190,793,925) | |
| **Distributable retained earnings of this fiscal year** | 4,110,339,994 | |
| | | |
| Item of Allocation | | |
| Shareholders' cash dividends and bonus | 1,680,701,573 | Distribute $1.50 |
| | | |
| Unappropriated earnings at the end of this fiscal year | $2,429,638,421 | |

Chairman: Frank Ko CFO: Patrick Chang Controller: James Huang

**Appendix 6**

## E INK HOLDINGS INC.

### Comparison Table of the Draft Amendment to Procedures for Acquisition or Disposition of Assets

| Article | After Amendment | Before Amendment | Remarks |
|---|---|---|---|
| 9 | When the transaction amount of acquisition or disposition of real property or equipment reaches the amount that public announcement and regulatory filing are required, or where the transaction amount reaches 20 percent of the company's paid-in capital or NT$300 million or more, the Company, unless transacting with a government **institution**, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser. | When the transaction amount of acquisition or disposition of real property or equipment reaches the amount that public announcement and regulatory filing are required, or where the transaction amount reaches 20 percent of the company's paid-in capital or NT$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser. | To reflect the changes in "Regulations Governing the Acquisition and Disposal of Assets by Public Companies." |
| 10II | Except for sale or purchase of governmental bonds, bonds under repurchase/resale agreements, and the subscription or **repurchase** of money market funds **issued by domestic securities investment trust enterprises**, when acquiring from or disposing to real property a related party, or acquiring from or disposing to a related party the assets other than real property, in which the actual transaction amount reaches 20 percent of the company's paid-in capital, or 10 percent of the company's total assets, or NT$300 million, the following information should be submitted for approval by resolution passed by one-half or more of the members of audit committee and the board of directors before executing the deal contracts and making payments. | Except for sale or purchase of governmental bonds, bonds under repurchase/resale agreements, and the subscription or redemption of domestic money market funds, when acquiring from or disposing to real property a related party, or acquiring from or disposing to a related party the assets other than real property, in which the actual transaction amount reaches 20 percent of the company's paid-in capital, or 10 percent of the company's total assets, or NT$300 million, the following information should be submitted for approval by resolution passed by one-half or more of the members of audit committee and the board of directors before executing the deal contracts and making payments. | To reflect the changes in "Regulations Governing the Acquisition and Disposal of Assets by Public Companies." |
| 10II(7) | (7) Restrictive covenants and other important stipulations associated with the transaction.<br>Calculation of the aforementioned | (7) Restrictive covenants and other important stipulations associated with the transaction.<br>Calculation of the aforementioned | To reflect the actual practice. |

| Article | After Amendment | Before Amendment | Remarks |
|---|---|---|---|
| | transaction amount should be conducted pursuant to paragraph 2 of Article 14. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly submitted for **approval by** resolution passed by **the members of audit committee** and the board of directors need not be counted into the transaction amount.<br>With respect to the acquisition or disposition of equipment for business use between the Company and its affiliates, **the board of directors may authorize** the Chairman ~~is authorized~~ to make such decision, when the transaction amount is within the limit of **NT$500** million, and to submit the acquisition or disposition to the board of directors afterwards. | transaction amount should be conducted pursuant to paragraph 2 of Article 14. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly submitted for approval by the board of directors and supervisors need not be counted into the transaction amount.<br>With respect to the acquisition or disposition of equipment for business use between the Company and its affiliates, the Chairman is authorized to make such decision, when the transaction amount is within the limit of NT$300 million, and to submit the acquisition or disposition to the board of directors afterwards. | |
| 11II | 2. Where a company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT$300 million or more, except for the transactions to be proceeded with governmental **institution**, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. The certified public accountant should follow the provisions of Statement of Auditing Standards No. 20. | 2. Where a company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT$300 million or more, except for the transactions to be proceeded with governmental agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. The certified public accountant should follow the provisions of Statement of Auditing Standards No. 20. | To reflect the changes in "Regulations Governing the Acquisition and Disposal of Assets by Public Companies." |
| 13I | 1. Before any resolution of consolidation and merger, division, acquisition or share transfer by the Board of Directors, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage after it has been approved by more than half of all audit committee members.. | 1. Before any resolution of consolidation and merger, division, acquisition or share transfer by the Board of Directors, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage after it has been approved by more than half of all audit committee members. | To reflect the changes in "Regulations Governing the Acquisition and Disposal of Assets by Public Companies." |

| Article | After Amendment | Before Amendment | Remarks |
| --- | --- | --- | --- |
| | **<u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company with a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u>** | | |
| 14I | 1. Under any of the following circumstances, a company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:<br>(1) Acquired or disposed real property from a related party, or acquiring or disposing assets other than real property from a related party in which transaction amount reaches 20 percent of the company's paid-in capital, or 10 percent of the company's total assets, or NT$300 million. However, trading of government bonds and trading of bonds under repurchase / resale agreements, subscription or **<u>repurchase</u>** of money market funds **<u>issued by domestic securities investment trust enterprises</u>** shall not apply.<br>(2) Merger, spin-off, acquisition, or transfer of shares.<br>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures.<br>(**<u>4) Acquiring or disposing business-use equipment with a counterparty other than a related party, and the transaction amount reaches any of the following amount:</u>**<br>**<u>1. The transaction amount is more than NT$1 billion.</u>** | 1. Under any of the following circumstances, a company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:<br>(1) Acquired or disposed real property from a related party, or acquiring or disposing assets other than real property from a related party in which transaction amount reaches 20 percent of the company's paid-in capital, or 10 percent of the company's total assets, or NT$300 million. However, trading of government bonds and trading of bonds under repurchase / resale agreements, subscription or <u>redemption</u> of domestic money market funds shall not apply.<br>(2) Merger, spin-off, acquisition, or transfer of shares.<br>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures.<br><u>(4)</u> Where an asset transaction other than any of those referred to in the preceding <u>three</u> subparagraphs, or a disposal of receivables by a financial institution, or engage in investment in Mainland China area reaches 20 percent or more of paid-in capital or NT$300 million; provided, this | To reflect the changes in "Regulations Governing the Acquisition and Disposal of Assets by Public Companies." |

| Article | After Amendment | Before Amendment | Remarks |
|---|---|---|---|
| | **<u>2. Where a land is acquired under an arrangement for commissioned construction on self-owned land, commissioned construction on rental land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, the amount the Company expects to invest in the transaction in an amount of more than NT$500 million.</u>**<br>**<u>(5)</u>** Where an asset transaction other than any of those referred to in the preceding **<u>four</u>** subparagraphs, or a disposal of receivables by a financial institution, or engage in investment in Mainland China area reaches 20 percent or more of paid-in capital or NT$300 million; provided, this shall not apply to the following circumstances:<br>1. Trading of government bonds.<br>2. Trading of bonds under repurchase / resale agreements or subscription or **<u>repurchase</u>** of money market funds **<u>issued by domestic securities investment trust enterprises</u>**.<br>~~3. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT$500 million.~~<br>~~4. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount is less than NT$500 million (based on the company's expected input amount).~~ | shall not apply to the following circumstances:<br>1. Trading of government bonds.<br>2. Trading of bonds under repurchase / resale agreements or subscription or <u>redemption</u> of domestic money market funds..<br><u>3. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT$500 million.</u><br><u>4. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount is less than NT$500 million (based on the company's expected input amount).</u> | |
| 14V | 5. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be | 5. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be | To reflect the changes in "Regulations Governing the |

| Article | After Amendment | Before Amendment | Remarks |
|---|---|---|---|
| | publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety **within two days from the date of knowledge**. | publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety. | Acquisition and Disposal of Assets by Public Companies." |

## Appendix 7

# E INK HOLDINGS INC.

## List of Candidates of the Tenth Term of Directors and Independent Directors

The list of director and independent director candidates below is provided pursuant to Article 192-1 of the ROC Company Act:

| No. | Title | Name of Candidate | Key Qualifications / Experience | Shareholding (see note) |
|---|---|---|---|---|
| 1 | Director | Aidatek Electronics, Inc Representative：**Frank Ko** | PhD in Optoelectronics from National Chiao Tung University / Chairman of E Ink Holdings Inc. | 100,000 |
| 2 | Director | Aidatek Electronics, Inc Representative：**Show-Chung Ho** | Master in Engineering from the University of Wisconsin/ Chairman of Sinopac Financial Holdings Co., Ltd. | 100,000 |
| 3 | Director | Aidatek Electronics, Inc. Representative：**Felix Ho** | Master in Finance Management from MIT Sloan School of Management / Chairman of YFY Inc. | 100,000 |
| 4 | Director | Aidatek Electronics, Inc. Representative：**Johnson Lee** | Bachelors of Economic and Electrical Engineering from Tufts University / General manager of E Ink Holdings Inc. | 100,000 |
| 5 | Director | YFY Inc. Representative：**Chuang-Chuang Tsai** | PhD from the University of Chicago /Chief technology officer of E Ink Holdings Inc. | 133,472,904 |
| 6 | Director | YFY Inc. Representative: **Feng-Yuan Gan** | PhD from McGill University in Canada /General manager of ESI Division of E Ink Holdings Inc. | 133,472,904 |
| 7 | Independent Director | **Ten-Chung Chen** | Master in Business Administration from the University of Indiana/General Manager of Advantech in the US | – |
| 8 | Independent Director | **Biing-Seng Wu** | PhD in Engineering from the National Cheng Kung University / Chairman of Himax Technologies Inc. | 278 |
| 9 | Independent Director | **Chao-Tung Wen** | PhD in Urban and Environmental Management from the Rensselaer Polytechnic Institute / Professor and Director , Gradate Institute of Technology and Innovation Management, National Cheng-chi University / CEO, Executive Master of Business Administration, National Cheng-chi University / Director, Center for Creativity and Innovation Studies, National Cheng-chi University | – |

Note: the shareholdings of each candidate is as of April 22, 2017, which is the book closure date for the Annual General Meeting

## Appendix 8

# E INK HOLDINGS INC.
# ARTICLES OF INCORPORATION

### Chapter I General Provisions

Article 1 The Company is organized as a company limited by shares in accordance with the Company Act under the name of 元太科技工業股份有限公司 and the English name of E INK HOLDINGS INC.

Article 2 The scope of business of the Company shall be as follows:

(1) CC01080 Electronic Parts and Components Manufacturing

(2) F119010 Wholesale of Electronic Materials (limited to the operation outside the area)

(3) F219010 Retail Sale of Electronic Materials (limited to the operation outside the area)

(4) F113050 Wholesale of Computing and Business Machinery Equipment (limited to the operation outside the area)

(5) F213030 Retail Sale of Computing and Business Machinery Equipment (limited to the operation outside the area)

(6) F118010 Wholesale of Computer Software (limited to bissiness outside the area)

(7) F218010 Retail Sale of Computer Software (limited to the operation outside the area)

(8) I301010 Software Design Services (limited to the operation outside the area)

(9) CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing (limited to the operation outside the area)

(10) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import (limited to the operation outside the area)

(11) F113070 Wholesale of Telecom Instruments (limited to the operation outside the area)

(12) F213060 Retail Sale of Telecom Instruments

(13) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval. (limited to the operation outside the area)

(14) F401010 International Trade Business

Researching, developing, producing, manufacturing and marketing the following products:

(i) TFT-LCD

(ii) TFT-LCD TV, various kinds of monitoring systems and all kinds of parts and components of the aforementioned systems(limited to the operation by the branch offices outside the territory of the Republic of China ("ROC")

To concurrently operate the import and export business involving the related business of the Company.

Article 3 The Company may externally act in capacity of a guarantee.

The aggregate amount of investment by the Company shall not be restricted to forty percent (40%) of its paid-in capital.

Article 4 The head office of the Company is located in Science-based Industrial Park, Hsinchu and the Company may, where necessary, establish branch offices within or outside the territory of ROC subject to the resolution of the board of directors and approval of the competent authority.

## Chapter II Shares

Article 5 The authorized capital of the Company shall be Twenty Billion New Taiwan Dollars (NT$20,000,000,000), divided into Two Billion (2,000,000,000) shares with a par value of Ten New Taiwan Dollars (NT$10) per share.

The board of directors is authorized to issue shares not yet issued by installments.

The Company shall reserve One Billion and Four Hundred Million New Taiwan Dollars (NT$1,400,000,000), divided into One Hundred and Forty Million (140,000,000) shares with a par value of Ten New Taiwan Dollars (NT$10) per share, for issue of warrants for its employees (the "**Employee Warrants**"). The board of directors is authorized to issue Employee Warrants by installments.

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

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

Article 6 The share certificates of the Company shall bear the shareholders' names, be signed or sealed by three or more directors, and legalized in accordance with laws before they are issued and then registered with the securities central depository institution.

Article 7 Any affair with regard to the shares of the Company shall be handled in accordance with the Guidelines for Handling Stock Affairs by a Public Issuing Company promulgated by the competent authority.

## Chapter III Shareholders' Meeting

Article 8 No change of entries in the shareholder roster shall be permitted within sixty (60) days prior to a general shareholders' meeting, thirty (30) days prior to an extraordinary shareholders' meeting, or within five (5) days prior to the record date fixed by the Company for the distribution of dividends, bonuses, or other benefits.

Article 9 Shareholders' meetings shall be of two types: general shareholders' meeting and extraordinary shareholders' meeting. A general shareholders' meeting shall be convened at least once every year and shall be convened by the board of directors according to law within six (6) months after the close of each fiscal year. An extraordinary shareholders' meeting shall be convened according to law at such time as may be deemed necessary. The proceeding of the shareholder's meeting of the Company shall be conducted in accordance with the "Rules for Proceedings of Shareholders' Meeting" of the Company.

The general shareholders' meeting shall be convened thirty (30) days prior to the meeting; while extraordinary shareholders' meeting shall be convened by giving a fifteen (15)-day prior notice, of which the purpose of the meeting shall be specified on the notice, to the shareholders.

Article 10 In case a shareholder is unable to attend a shareholders' meeting, he may issue a proxy document printed by the Company stating the powers vested in the proxy, and sign or seal such document to designate a proxy to attend the meeting on his behalf. Use of proxy documents is governed by Article 177 of the Company Act and the Rules Governing Attendance of a Public Company's Shareholders' Meeting by Proxy as enacted by the competent authority.

Article 11 Each shareholder of the Company will have one vote for each share held, save in the circumstance described in Article 179 and Article 197-1 of the Company Act where shares have no voting power.

Article 12 Unless otherwise provided by the Company Act, a resolution of the shareholders' meeting shall be adopted by a majority vote of shareholders present at the meeting whose aggregate shares account for the majority of the total issued shares of the Company.

## Chapter IV Directors and Audit Committee

Article 13 The Company shall have 7 to 11 directors, all to be nominated according to the candidate nomination system and then elected at a shareholders' meeting from the nominee list of directors, and all eligible for re-election. The term of office of both directors shall be three years. At least three (3) of the above directors of the Company must be independent directors accounting for at least one-fifth (1/5) of the total number of directors. The professional qualifications, restrictions on shareholding and concurrent posts held, nomination and election methods, and other matters for compliance with respect to independent directors are governed by the applicable regulations of the competent securities authority.

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

Article13-1 Pursuant to Article 14-4 of the Securities and Exchange Act, the Company shall organize the Audit Committee to perform supervisors' power and duty under the Company Act, the Securities and Exchange Act and other relevant regulations.

The Audit Committee shall comprise all the independent directors.

Article 14 Board meetings shall be organized by Chairman of the Board. the Board of Directors shall elect a Chairman of the board directors from among the directors by a majority vote at a meeting attended by over two-thirds of the directors and may also elect in the same manner a Vice Chairman of the Board. The Chairman of the Board shall represent the company and organize all businesses. In case the Chairman of the

Board is on leave or absent or can not exercise his power and authority for any cause, the Vice Chairman shall act on his behalf. In case there is no Vice Chairman neither a representative designated, the directors shall elect from among themselves an acting Chairman of the Board of Directors.

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

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

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

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

Article 16 Regardless of surplus or deficit of the Company, each Directors is entitled to the remuneration determined by the Board of Directors, taking into consideration of the participation and contribution devoted by the Directors to the Company as well as the general standard of other companies in the same industry. Where the Company has profits, a special remuneration to the Directors shall be paid pursuant to Article 19.

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

## Chapter V Managerial Officers

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

## Chapter VI Accounting

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

Article 19 If the Company earns profits in a year, it shall distribute at least one percent (1%) but not more than ten percent (10%) of the profits as employee remuneration and not more than one percent (1%) of the profits as the Directors remuneration. If however, the Company still has accumulated losses, a certain amount of profits shall be retained to make up for the losses.

The Directors remuneration shall be paid by cash, the employee remuneration may be paid by cash or shares, and the distributees may include certain employees of a subsidiary. The distribution ratio of the Directors remuneration and the distribution ratio and method of the employee remuneration shall be adopted a majority vote of a meeting of the board of directors attended by two-thirds or more of all the directors, and report to the shareholders meeting.

When calculating the remuneration of employees and directors, it shall deduct the accumulated losses from the profits earned in the year (that is the earnings before tax and the deduction of the earnings distributed as employee and director remuneration)of the Company and then calculate the remuneration of employee and directors based on the balance of the above.

Article 19-1 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 then set aside or withdraw a special reserve pursuant to the applicable laws and regulations. The balance, if any, upon the assessment of the capital need for the upcoming year by the Board of Directors in accordance with the future capital budget plan, shall first be allocated as part of the funds required for financing the retained earnings, and at least fifty (50) percent of the remaining balance shall be allocated for distribution of shareholders' dividends and bonus.

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

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

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

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

## Chapter VII Supplementary Provisions

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

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

The first amendment was made on December 23, 1993.

The second amendment was made on May 31, 1994.

The third amendment was made on April 12, 1995.

The fourth amendment was made on November 19, 1996.

The fifth amendment was made on April 12, 1997.

The sixth amendment was made on June 2, 1998.

The seventh amendment was made on July 28, 1999.

The eighth amendment was made on May 12, 2000.

The ninth amendment was made on November 2, 2001.

The tenth amendment was made on June 20, 2002.

The eleventh amendment was made on June 24, 2003.
The twelfth amendment was made on June 21, 2004.
The thirteenth amendment was made on June 30, 2006.
The fourteenth amendment was made on June 15, 2007.
The fifteenth amendment was made on June 19, 2009.
The sixteenth amendment was made on November 18, 2009.
The seventeenth amendment was made on June 18, 2010.
The eighteenth amendment was made on June 24, 2011.
The nineteenth amendment was made on June 18, 2012.
The twentieth amendment was made on May 3, 2013.
The twenty-first amendment was made on June 18, 2014
The twenty-second amendment was made on June 9, 2015
The twenty-third amendment was made on June 22, 2016

E INK Holdings Inc.
Frank Ko, Chairman

## Appendix 9

# E INK HOLDINGS INC.

## Rules of Election of Directors

Article 1 The election of directors 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, each share has votes in the amount of the number of Directors 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 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, 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 of the Company shall be nominated according to the candidate nomination system and then elected by the general meeting from the nominee list of

Directors. The nominees in the number determined according to the Article of Incorporation, who receive the most votes, shall be elected as the Directors.

The election of Directors and Independent Directors shall be concurrently proceeded, with the number of electees calculated respectively.

If two or more nominees receive the same number of ballot cast and the remaining vacancy is insufficient, the Director 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 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 shareholders meeting.

## Appendix 10

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

Article 1: Purpose

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

Article 2: Governing Rules

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

Article 3: Scope of Assets

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

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

Article 4: Definitions

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

Company Act, Financial Institution Merger Act and other acts, or shares acquired from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 6 of the Company Act.

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

Article 5: Exclusion of related party

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

Article 6: Scope and Limitation of Investment

Limitation of investment in the following items is as follows:

1. Total amount of real property not for business use shall not exceed the Company's shareholders' equity.
2. Total amount of securities investment shall not exceed three times of the Company's shareholders' equity.
3. Total amount of investment in individual securities shall not exceed 1.5 times of the Company's shareholders' equity.

4. Transaction amount for acquisition and disposition of memberships or intangible assets shall not exceed 50 percent of the Company's shareholders' equity.
5. Total amount of investment in Mainland China area shall not exceed the limitation set by the competent authorities.

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

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

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

Article 8: Procedures of Transactional Terms Determination

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

2. Acquisition or disposal of assets should be done by the responsible department in accordance with the Company's internal regulations, verified by responsible levels and submitted to the department-in-charge for decision.

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

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

Article 10: Related Party Transaction:

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

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

2. Except for sale or purchase of governmental bonds, bonds under repurchase/resale agreements, and the subscription or redemption of domestic money market funds, when acquiring from or disposing to real property a related party, or acquiring from or disposing to a related party the assets other than real property, in which the actual transaction amount reaches 20 percent of the company's paid-in capital, or 10 percent of the company's total assets, or NT$300 million, the following information should be submitted for approval by resolution passed by one-half or more of the members of audit committee and the board of directors before executing the deal contracts and making payments (if the above has not been approved with the consent of one-half or more of all audit committee members, it may be undertaken upon the consent of two-thirds or more of all directors and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting):

(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.

(2) The reason for choosing the related party as a trading counterparty.

(3) In the case of acquisition of real property from a related party, relevant information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 10 (3) and Article 10 (6).

(4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.

(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.

(6) The professional appraiser's appraisal report or the certified public accountant's opinion obtained in accordance with preceding Article.

(7) Restrictive covenants and other important stipulations associated with the transaction.

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

With respect to the acquisition or disposition of equipment for business use between the Company and its affiliates, the Chairman is authorized to make such decision, when the transaction amount is within the limit of NT$300 million, and to submit the acquisition or disposition to the board of directors afterwards.

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

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

6. When the results of an appraisal conducted in accordance with paragraph 3 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 7 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant have been obtained, this restriction shall not apply:
   (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
      1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
      2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
      3. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
   (2) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
   (3) Completed transactions for neighboring or closely valued parcels of land in subparagraphs 2 and 3 in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.
7. Where acquiring real property from a related party and the results of appraisals conducted in accordance with paragraphs 3 to 6 of this Article are uniformly lower

than the transaction price, the following steps shall be taken:

(1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. A company that has set aside a special reserve under the preceding regulation may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

(2) Independent Directors of the audit committee shall comply with Article 218 of the Company Act.

(3) Actions taken pursuant to subparagraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

(4) Subparagraphs 1 to 3 of this paragraph shall be complied with if there is other evidence indicating that the acquisition was not an arms length transaction.

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

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

the event to render an opinion on the reasonableness of the transaction price. The certified public accountant should follow the provisions of Statement of Auditing Standards No. 20.

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

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

Article 12: Engaging in Derivatives Trading

1. Operating or hedging strategies

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

2. Segregation of duties

   (1) Trading department

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

   (2) Accounting department

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

3. Essentials of performance evaluation

   (1) Derivatives trading should be evaluated regularly. The evaluation report should be submitted to the financial chief for verification.

   (2) Performance evaluation should be compared with pre-set evaluation basis on the evaluation date as reference for future decision.

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

   (1) Limitation of total amount of derivatives contracts

      1. Not for trading purpose:

         (1) Transaction for the purpose of avoiding foreign exchange risks: the total contract amount cannot exceed that year's total amount in import and export.

         (2) Transaction for the purpose of avoiding interest rate risks: the total contract amount cannot exceed total amount of debt.

         (3) Transaction to avoid foreign exchange rate and interest rate risks resulted from specific case: the total contract amount cannot exceed total amount of the budget of that specific case.

      2. For trading purpose: transaction personnel can proceed transaction within the approved limit for the specific case.

   (2) The maximum loss limit on total trading and for individual contracts is as follows:

      1. Realized and unrealized loss amount in the Company's overall signed derivatives contracts shall not exceed 30 percent of the total contracts amount.

      2. Realized and unrealized loss amount in the Company's individual contracts shall not exceed 30 percent of the that specific contract amount.

5. Operating procedures

   (1) Confirmation of transactional department

   (2) Analysis and judgment of relevant trends

   (3) Determination of methods for risk hedging:

      1. Target of transaction

      2. Transactional department

      3. Target price and range

      4. Strategies and types of transaction

   (4) Obtaining approval for transaction

   (5) Executing transaction

      1. Trading counterparty: can only be domestic or overseas financial institutions. If not, consent from financial chief shall be obtained.

      2. Trading personnel: Consent from the financial chief shall be first obtained before personnel dealing with derivatives trading; notification to the financial institutions that the Company has business relationships should also be made. Derivatives trading can only be conducted by these trading personnel.

   (6) Confirmation of transaction: after trading personnel has completed the transaction, a transaction bill should be filled in and confirmed by the confirmation personnel as to whether the trading terms are in consistent with

those on the transaction bill. The bill then should be submitted for approval by the responsible supervisor.

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

6. Authorized ceiling

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

| Verification personnel<br>Total amount of contracts | Financial Chief | President | Board of Directors |
|---|---|---|---|
| Below USD 2 million | Verification | | |
| USD 2 million ï 10 million | | Verification | |
| Above USD 10 million | | | Verification |

(2) When a company engages in derivatives trading not for trading purpose and authorizes certain personnel in charge of such trading pursuant to the Procedures, it should be reported to the immediately following board of directors afterwards.

(3) Derivatives trading for trading purpose can only be proceeded after such trading being reported to the board of directors as a specific case and approval obtained.

7. Methods for accounting treatment

Accounting for financial products shall be dealt with in accordance with International Accounting Standards as well as any interpretative letter or regulation published by the competent authorities.

8. Internal Control

(1) Risk management measures

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

6. Legal risk management: to avoid legal risks, all documents intended to be entered into with banks can only be executed after being reviewed by legal department.

(2) Internal control

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

(3) Periodic evaluation

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

9. Internal Audit System

(1) Internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives pursuant to the "Implementation Rules for Internal Audit." It should conduct a monthly audit of how faithfully derivatives

trading by the trading department adheres to the Procedures, and prepare an audit report. If any material violation is discovered, all independent directors of the audit committee shall be notified in writing.

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

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

1. Before any resolution of consolidation and merger, division, acquisition or share transfer by the Board of Directors, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage after it has been approved by more than half of all audit committee members.
2. The Company participating in a merger, spin-off, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, spin-off, or acquisition prior to the shareholders meeting and include it along with the expert opinion when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply.

   Where the shareholders meeting of the Company fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.
3. A company participating in a merger, spin-off, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, spin-off, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

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

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

information.

(2) Dates of material events: including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.

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

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

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

4. Every person participating in or privy to the plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, spin-off, acquisition, or transfer of shares.

5. A company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or transfer of shares:

(1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

(2) An action, such as a disposal of major assets, that affects the company's financial operations.

(3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.

(4) An adjustment where any of the companies participating in the merger, spin-off, acquisition, or transfer of shares from another company, buys back treasury stock.

(5) An increase or decrease in the number of entities or companies participating in

the merger, spin-off, acquisition, or transfer of shares.

(6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

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

Article 14: Procedures for Disclosure of Information

1. Under any of the following circumstances, a company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:
   (1) Acquired or disposed real property from a related party, or acquiring or disposing assets other than real property from a related party in which transaction amount reaches 20 percent of the company's paid-in capital, or 10 percent of the company's total assets, or NT$300 million. However, trading of

government bonds and trading of bonds under repurchase / resale agreements, subscription or redemption of domestic money market funds shall not apply.

(2) Merger, spin-off, acquisition, or transfer of shares.

(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures.

(4) Where an asset transaction other than any of those referred to in the preceding three subparagraphs, or a disposal of receivables by a financial institution, or engage in investment in Mainland China area reaches 20 percent or more of paid-in capital or NT$300 million; provided, this shall not apply to the following circumstances:

1. Trading of government bonds.

2. Trading of bonds under repurchase / resale agreements or subscription or redemption of domestic money market funds..

3. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT$500 million.

4. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount is less than NT$500 million (based on the company's expected input amount).

2. The amount of transactions above shall be calculated as follows:

(1) The amount of any individual transaction.

(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.

(3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.

(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

3. "Within the preceding year" as used in preceding paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.

4. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format

into the information reporting website designated by the FSC by the 10th day of each month.

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

Article 15: Management of Subsidiaries

1. If the Company's subsidiary is a public company, the subsidiary should prepare its "Procedures for Acquisition or Disposition of Assets" in accordance with relevant regulations. After being passed in board of directors resolution, the procedures should be reported in shareholders' meeting in both the Company and the subsidiary. The same applies when the procedures are amended.
2. When the assets acquired or disposed by a non-public company that is owned more than 50 percent of voting rights by the Company directly or indirectly via subsidiary reach the amount that a public announcement and regulatory filing are required, the Company should also make the required public announcement, regulatory filing or carbon copy to competent authorities.
   The standard of "reaching 20 percent of paid-in capital or 10 percent of the total assets " for the subsidiary making announcement and filing should be calculated based on the Company's paid-in capital or total assets.

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

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

Article 18: After the Procedures have been approved by resolution passed by one-half or more of the members of audit committee and the board of directors, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each independent director of audit committee.

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

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

## Appendix 11

# E INK HOLDINGS INC.
# RULES OF SHAREHOLDERS MEETING

Article 1 The shareholders' meeting of the Company shall be proceeded with in accordance with these rules, unless otherwise provided by laws and regulations.

Article 2 The Company shall prepare a sign-in book for shareholders to sign in, and an attending shareholder may hand in an attendance card in lieu of signing on the sign-in book. The number of shares representing shareholders present in the meeting shall be calculated in accordance with those indicated on the sign-in book or the attendance cards, as well as shares with voting rights exercised in writing or by means of electronic transmission.

Article 3 The presence of shareholders and any voting in a shareholders' meeting shall be made on the basis of counting the number of shares.

Article 4 The shareholders' meetings shall be held at the premises of the Company, or any other place convenient for attending by shareholders, and suitable for holding of such meetings. The meetings shall not be commenced earlier than 9 a.m. or later than 3 p.m.

Article 5 If a shareholders' meeting is convened by the board of directors, the chairman of the board of directors shall preside at the shareholders' meeting. In case the chairman is on leave or unable to exercise his/her functions the vice chairman shall act in his/her place. If there is no vice chairman or the vice chairman is also on leave or unable to exercise his/her functions, the chairman shall designate a managing director to act in lieu of the chairman. If there are no managing directors, the chairman shall designate a director to exercise his/her functions. If the chairman does not designate a director, the managing directors or directors shall elect one from among themselves to act in lieu of the chairman.

If a shareholders' meeting is convened by any person other than the board of directors, the person who is entitled to convene the meeting shall preside at the meeting. If there are more than two such persons, one shall be elected among themselves to preside at the meeting.

Article 6 The Company may designate its lawyer, certified public accountant or other relevant persons to attend the shareholders' meeting.

The personnel handling the affairs of a shareholders' meeting shall each wear an identification badge or an arm-band.

Article 7 All proceedings of the shareholders' meeting shall be recorded with an audio or video tape, and such audio tapes or video tapes shall be kept for at least one year.

Article 8 When it is time to commence a shareholders' meeting, the person presiding the meeting shall immediately commence the meeting, provided, however, that if the total amount of shares represented at the meeting do not exceed one-half of the total number of the issued shares, the person presiding the meeting may postpone the meeting; provided, however, that the postponement of the meeting shall be limited to two times, and the total time postponed shall not exceed one hour. If the meeting has been postponed for two times, but the total amount of shares represented at the meeting still do not exceed one-half of the total number of the issued shares, a tentative resolution may be adopted in accordance with Paragraph 1 of Article 175 of the Company Act of ROC, if the total amount of shares represented at the meeting is more than one-third of the total number of the issued shares.

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

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

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

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

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

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

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

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

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

If a shareholder violates the preceding paragraph or his/her speech is irrelevant to the subject, the person presiding the meeting may stop him from continuing speaking.

Article 12 If corporate shareholder is mandated by another shareholder to attend a shareholders' meeting, it may designate only one representative to the meeting.

If a corporate shareholder designates two or more representatives to represent it at the shareholders' meeting, only one of its representatives may speak on the same subject.

Article 13 After a shareholder has given a speech, the person presiding the meeting may answer in person or designate relevant person to respond.

Article 14 When the person presiding the meeting considers that the discussion for a subject has reached to the degree that a resolution may be adopted, he may discontinue the discussions and submit the subject for resolution.

Article 15 The persons scrutinizing the casting of votes and the counting thereof for resolutions shall be designated by the person presiding the meeting, provided, however, that the person scrutinizing the casting of votes shall be a shareholder. The results of resolution(s) shall be announced in the meeting immediately, and recorded in the minutes of the meeting.

Article 16 During the meeting, the person presiding the meeting may announce for a break with a time period he thinks fit.

Article 17 Except for the voting rights restricted or excluded according to Article 179 paragraph 2 and Article 197-1 of the Company Act, a shareholder shall have one voting right in respect of each share in his/her/its possession.

Unless otherwise provided by laws and regulations or the Articles of Incorporation, the resolutions of the shareholders' meeting shall be adopted by the majority of the shares represented at the meeting.

Article 17-1 The voting right at a shareholders' meeting may be exercised in writing or by way of electronic transmission, provided, however, that the method for exercising the voting right shall be described in the shareholders' meeting notice to be given to the shareholders. A shareholder who exercises his/her/its voting right at a shareholders' meeting in writing or by way of electronic transmission shall be deemed to have attended the shareholders' meeting in person, but shall be deemed to have waived his/her/its voting right in respective of any extemporary motion(s) and/or the amendment(s) to the original proposal(s) at the shareholders' meeting.

In case a shareholder elects to exercise his/her/its voting right in writing or by way of electronic transmission, his/her/its declaration of intention shall be served to the company at least two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

In case a shareholder who has exercised his/her/its voting right in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, at least two days prior to the scheduled meeting date of the shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting right under the preceding paragraph. In the absence of a timely rescission of the previous declaration of intention, the voting right exercised in writing or by way of electronic transmission shall prevail. In case a shareholder has exercised his/her/its voting right in writing or by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting in his/her/its behalf, the voting right exercised by the authorized proxy for the said shareholder shall prevail.

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

Article 18 If there is an amendment or a substitute proposal to a subject being discussed, the person presiding the meeting may combine the amendment or substitute proposal into the original subject, and determine their orders for voting. If any one of the above has been passed, the others shall be considered as rejected, upon which no further resolution shall be required.

Article 19 The person presiding the meeting may direct order-maintaining personnel (or security personnel) to maintain the order of the meeting. For doing so they shall wear an arm-band bearing the words of "order-maintaining personnel" (or security personnel).

Article 20 Establishment and amendment to these rules shall be subject to the adoption by a shareholders' meeting.

## Appendix 12

### INFORMATION REGARDING REMUNERATION TO DIRECTORS AND EMPLOYEES

The details of the remuneration of Directors and employees approved by the Board of Directors on March 22, 2017 are set forth as follows, which will be conducted pursuant to the relevant rules upon the resolution passed at the general shareholders meeting on June 20, 2017.

| (NTD) | Employees Bonuses (Cash) | Remuneration to Directors | Total |
|---|---|---|---|
| Amount Approved by the Board of Directors | 20,000,000 | 8,600,000 | 28,600,000 |
| Amount Showed in the 2016 Annual Financial Statements | 20,000,000 | 8,600,000 | 28,600,000 |
| Discrepancy | The distribution amount approved by the Board of Directors is the same as listed on the accounts. | | |

## Appendix 13

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

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

## Appendix 14

# E INK HOLDINGS INC.

**List of Directors** Record Date: April 22, 2017

| Position | Name | | Date of Election/ Assumption of Office | Number of Shares on Date of Election | | | Current Number of Shares | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Type | Number of Shares | % | Type | Number of Shares | % | |
| Chairman | Frank Ko | The representative of YFY Inc. | June 18, 2014 | Common Stock | 133,472,904 | 11.70% | Common Stock | 133,472,904 | 11.7% | |
| Director | Chuan-Chuan Tsai | | June 18, 2014 | | | | | | | |
| Director | Lloyd Chen(Note 1) | | June 18, 2014 | | | | | | | |
| Director | Johnson Lee | The representative of Aidatek Electronics, Inc. | June 18, 2014 | Common Stock | 100,000 | 0.01% | Common Stock | 100,000 | 0.01% | |
| Director | Show-Chung Ho | | June 18, 2014 | | | | | | | |
| Director | Felix Ho | | June 18, 2014 | | | | | | | |
| Independent Director | Ten -Chong Chen | | June 18, 2014 | Common Stock | 0 | 0.00% | Common Stock | 0 | 0.00% | |
| Independent Director | Biing-Seng Wu | | June 18, 2014 | Common Stock | 278 | 0.00% | Common Stock | 278 | 0.00% | |
| Independent Director | Chao-Tung Wen | | June 18, 2014 | Common Stock | 0 | 0.00% | Common Stock | 0 | 0.00% | |
| Total | | | | | 133,573,182 | 11.71% | | 133,573,182 | 11.71 % | |

Total issued shares as of April 22, 2017: 1,140,467,715 shares.

Note 1: Corporate director YFY Inc. replaces its representative on November 30, 2016

Note 2: The number of shares legally required to be held by all Directors: 32,000,000 shares; as of April 22, 2017, all Directors held 133,572,904 shares

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

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