

Stock Code: 8069



**E INK HOLDINGS INC.**

**2020  
ANNUAL GENERAL MEETING OF  
STOCKHOLDERS  
MEETING MINUTES**

Date: June 18, 2020

Venue: Company Conference Room at No.3, Lixing 1st Rd., Hsinchu Science Park, Hsinchu 300, 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.)*

**E INK HOLDINGS INC.**  
**2020 ANNUAL GENERAL MEETING OF STOCKHOLDERS**  
**MEETING MINUTES**

Date: June 18, 2020

Venue: Company Conference Room at No.3, Lixing 1st Rd., Hsinchu Science Park, Hsinchu 300, Taiwan (R.O.C.)

Presence: The total shares with voting right held by shareholders present in person or by proxy was 912,976,097 shares(including 311,840,223 shares casted electronically), representing 80.48% of the total outstanding shares of 1,134,362,715 shares.

Directors present: Johnson Lee 、 FY Gan 、 CC Tsai 、 Luke Chen 、 Ten-Chung Chen 、 Lloyd Chen 、 Chih-Ching Yu(HengSheng Law Offices) 、 Chih-Ming Shao (CPA of Deloitte & Touche )

Chairman: Johnson Lee

Recorder: Mandy Weng

**1. Announcement of the Commencement :**

The aggregate shareholding of the shareholders present has reached the quorum. The Chairman called the meeting to order.

**2. Chairman's Opening Remarks :(Omitted)**

**3. Report Items:**

- (1) 2019 business report and financial statements(Noted)
- (2) 2019 Audit Committee's Review Report(Noted)
- (3) 2019 report on the distribution of remuneration for employees and directors. (Noted)
- (4) Report on execution of treasury stock and transfer to employees. (Noted)
- (5) Report on partial amendments to "Board of Directors Conference Rules." (Noted)
- (6) Report on establishment of "Sustainability and Social Responsibility Code of Conduct." (Noted)
- (7) Report on establishment of "Business Integrity Code of Conduct." (Noted)

#### **4. Adoption Items:**

##### **<Item 1>**

(Proposed by the Board of Directors)

Subject: To adopt the 2019 financial statements of the Company.

Explanatory Note:

- (1) The financial statement auditors have completed auditing of the Company's 2019 standalone and consolidated financial statements.
- (2) The abovementioned standalone and consolidated financial statements, along with the Company's 2019 business report, have been presented in Appendix 1~2 of this conference handbook.
- (3) Please kindly adopt.

Resolution:

Voting Results : 857,907,453 shares voted for the proposal; 78,093 shares voted against the proposal; 52,693,551 votes were abstained.

RESOLVED, that the above proposal be and hereby was accepted as proposed.

##### **<Item 2>**

(Proposed by the Board of Directors)

Subject: To adopt the proposal for 2019 earnings distribution of the Company.

Explanatory Note:

- (1) The Company had opening undistributed earnings of NT\$2,318,482,391; after taking into account incremental retained earnings adjustments from equity-accounted investments (+NT\$1,054,839), incremental retained earnings adjustment from disposal of equity instrument carried at fair value through other comprehensive income (+NT\$7,678,000), retained earnings reduction from remeasurement of defined benefit plan (-NT\$11,751,662), 2019 net income (+NT\$3,083,788,601), provision for legal reserve (-NT\$308,076,978) and reversal of special reserve (+NT\$154,915,452), distributable earnings for the year amounted to NT\$5,246,090,643.
- (2) Proposal to allocate 2019 distributable earnings according to the Company's Articles of incorporation as follows:  
Cash dividends at NT\$2.00 per share for a sum of NT\$2,268,725,430.
- (3) Dividends and profit sharing shall be distributed to shareholders based on the names and shareholding position recorded on the shareholder registry as of the dividend baseline date. The amount of payment shall be truncated to nearest dollar; fractions that do not amount to a full NT\$1 are to be summed and recognized by the Company as other income.
- (4) The cash dividend payout ratio disclosed herein was calculated based on the number of shares outstanding on February 29, 2020. Should the Company decide to buy back its shares, transfer/retire treasury stock or for any reason

alter the total number of outstanding shares, or if shareholders waive their rights to dividend or profit sharing on a later date, and therefore resulting in a change of payout ratio, the Chairman shall be authorized to adjust details of the dividend payment based on shares outstanding on the dividend baseline date.

- (5) Proposal to fully authorize the Chairman for decisions concerning the dividend baseline date and details of the cash dividend payment.
- (6) Please refer to Appendix 5 of this conference handbook for the 2019 Earnings Appropriation Chart.
- (7) Please kindly adopt.

Resolution:

Voting Results : 858,790,511 shares voted for the proposal; 99,113 shares voted against the proposal; 51,789,473 votes were abstained.

RESOLVED, that the above proposal be and hereby was accepted as proposed.

## **5. Discussion and Elections Items:**

### **<Item 1>**

(Proposed by the Board of Directors)

Subject: Revise part of articles of the Company's Articles of Association.

Explanatory Note:

- (1) Considering the flexibility of corporate governance and coordinating with the revision of the Company Act on August 1, 2018, it's planned to amend part of articles of the "Articles of Association".
- (2) Comparison table for the amended articles refer to Appendix 9.

Resolution:

Voting Results : 755,397,400 shares voted for the proposal; 103,457,069 shares voted against the proposal; 54,113,628 votes were abstained.

RESOLVED, that the above proposal be and hereby was accepted as proposed.

### **<Item 2>**

(Proposed by the Board of Directors)

Subject: Election of the Company's 11th board of directors, including 6 directors and 3 independent directors.

Explanatory Note:

- (1) Service of the 11th board of directors and independent directors is due to end on June 19, 2020.
- (2) The Company hereby proposes to elect 6 directors and 3 independent directors in the upcoming annual general meeting according to the Articles of Incorporation to serve a term of 3 years, i.e., from June 18, 2020 to June 17, 2023.
- (3) Election of the Company's directors and independent directors shall proceed using the candidate nomination system. Please refer to Appendix 10 of this conference handbook for a list of candidates reviewed and passed by the board of directors.

Resolution:

Voting Results :

No	ID No.	Title	Name	Results(shares)
1	6640	Director	Aidatek Electronics, Inc. Representative : Johnson Lee	832,904,393
2	6640	Director	Aidatek Electronics, Inc. Representative : S.C. Ho	796,267,902
3	6640	Director	Aidatek Electronics, Inc. Representative : Felix Ho	777,281,237
4	2	Director	Shin-Yi Enterprise Co., Ltd. Representative: FY Gan	755,265,523
5	2	Director	Shin-Yi Enterprise Co., Ltd. Representative : CC Tsai	750,334,868
6	2	Director	Shin-Yi Enterprise Co., Ltd. Representative : Luke Chen	745,107,023
7	A10429****	Independent Director	Po-Young Chu	767,557,214
8	T10039****	Independent Director	Donald Chang	761,169,947
9	Q10067****	Independent Director	Shi-Chern Yen	757,902,455

**<Item 3>**

(Proposed by the Board of Directors)

Subject: Proposal to remove restrictions on competing business involvement for new directors and their representatives. The motion is open for resolution.

Explanatory Note:

- (1) Article 209 of The Company Act states that: "Directors are required to disclose material details to shareholders and obtain permission for engaging in business activities that coincide with those of the company, whether for directors' own benefit or for the benefits of others." Should the above condition apply to any newly elected director (including corporate director and representative thereof) in the 11th board, the Company hereby seeks shareholders' consent to remove restrictions against directors' competing business involvement according to Article 209 of The Company Act.
- (2) Directors' concurrent involvements in other organizations (refer to Appendix 11) do not contradict their duties within the Company; hence a proposal is raised to seek shareholders' consent to remove restrictions against directors' competing business involvements according to Article 209 of The Company Act.

Resolution:

Voting Results : 733,038,803 shares voted for the proposal; 252,853 shares voted against the proposal; 54,475,533 votes were abstained.

RESOLVED, that the above proposal be and hereby was accepted as proposed.

**6. Special Motion:** None.

**7. Announcement of Adjournment:**

The meeting was adjourned at AM 09:51 on the same day.

## Appendix 1

### Business Report

To all shareholders:

#### 2019 Business Report

Continued US-China tensions in 2019 led to increased trade barriers and uncertainty in economic activities within the global economy. Global economic growth therefore dropped to its lowest rate in a decade. Faced with challenges such as conservative enterprise spending around the world and weak consumer buying power, E Ink revenues did not grow as much as expected and consolidated revenue for the year was NT\$13.6 billion. Despite the challenges of revenue growth, E Ink engaged in aggressive efforts to improve business efficiency and governance. A gross profit of NT\$6.04 billion with a gross profit margin of 44.4% created a new record. Net profit after tax was NT\$3.08 billion with an earnings per share (EPS) of NT\$2.72, making this the 7th consecutive year of record company earnings.

Looking back on developments in 2019, there was a shift towards larger displays and stacked product packages with a high unit price though eReaders experienced a slight decline in revenue and shipments. eNote also made great progress in the smart education and e-learning market. Due to cooperating to ecosystem partners on product launch and end-user market development timeline, product revenues were not achieved the growth targets. The increasing maturity of Print Color ePaper technologies means that eNote products will become colorful to meet the demands of the e-learning market.

For Internet-of-Things (IoT) applications, Electronic Shelf Label (ESL) is growing steadily in the New Retail market. In addition to its adoption by large supermarket chains in the Europe, U.S. and Chinese markets, the surface area of ePaper shipped for ESL now matches the surface area of ePaper shipped for eReader applications. In the ePaper signage business, we were actively involved in the smart healthcare and smart city applications market. We continued to strengthen our collaboration with ecosystem partners to design innovative or revolutionary products for hospital and transport applications. Our efforts are beginning to pay off and the visibility of our pilot locations have continued to increase. At the same time, ACeP™ (Advanced Color ePaper) is moving towards mass production and future



applications will include retail signage as well as digital signage in other spaces.

E Ink was also presented with a 5th Taiwan Mittelstand Award by the Ministry of Economic Affairs in 2019 that recognized the company management's lean and highly-efficient business management, the continued refining of ePaper technology, the development of ePaper applications, and the steady growth of the company. That was not all either. E Ink made great strides in the economic, environmental, and social aspects of sustainability development by winning the Taiwan CSR Award for three consecutive years. In 2019, E Ink won four top awards in 2019: "Top 50 Corporate Sustainability Award," "Corporate sustainability Report Awards - IT & IC Manufacturing" (Gold award)," "Best Performance in a Specific Category - Social Inclusion Award," and "Best Performance in a Specific Category - Growth through Innovation Award."

## **2020 Business Focus**

Having weathered the economic uncertainties of 2019, E Ink will continue to pursue revenue growth, technological capability, and sound governance in 2020. The global supply chain and economic development was however impacted by the Novel Coronavirus (COVID-19) at the start of 2020. Faced with this unexpected and even more challenging development, E Ink immediately took all precautions and cooperated fully with the epidemic prevention efforts of the relevant agencies. Epidemic prevention measures in company operations were also tightened. Resources were mobilized in a timely manner to ensure the continuity of production even as we stayed in close contact with our customers and worked together to ensure no interruption to shipments. Nevertheless, the already weak global economy and uncertainty over the pace of future recovery will all become significant variables in the future revenue growth of E Ink.

For business development in 2020, E Ink will continue to develop the market for eReader, eNote, and IoT applications. Even as eReaders move towards larger displays and stacked products with high unit prices, the introduction of handwriting function will hopefully attract more users and lead to a larger market. For eNote business, we will not only continue to develop existing markets and support the launch of new customer products, but also seek to generate new growth from the application of Print-Color ePaper to the education market. In IoT, the ESL business is growing steadily and the market shows no sign of abating. Previous market efforts onePaper tag for smart logistics should begin to

deliver results. Digital signage applications in health care and transport should also start to bear fruit too, so revenues will be expected gradually increase.

In terms of technology development, we will not only supply black & white ePaper products with better performance but also consolidate our product and production technologies to achieve further improvements in the yield of flexible electronic products. At the same time, color ePaper products will enter mass production. This technology will contribute revenue in individual applications. The development of eReader and eNote technologies will focus on the refinement of the handwriting function; retail and logistics ePaper tags will focus on the development of power-saving and passive technology to lay down the foundations for future product development.

Business management will build on the solid foundations we have achieved so far. In addition to consolidating our R&D capability to accelerate the product development cycle and shorten the time-to-market, we will also continue to improve productivity through production automation. At the same time, the flexibility of operational management will be strengthened to maximize efficiency between product development and product shipping so that it can serve as a core component of our business competitiveness.

### **Future Prospects**

Faced with an uncertain macro-economic environment, E Ink will streamline our business management, refine our development and manufacturing of color, flexible, energy-efficient and energy harvesting technologies, as well as liaise closely with customers and supply chain partners to ensure the smoothness and reliability of our ePaper manufacturing and shipments, as well as strengthening our business development. At the same time, facing the dual trends of smart city and IoT, E Ink will focus our efforts on the development of smart applications based on ACeP and Print Color ePaper technologies that equip with the bistability and reflective attributes of ePaper. E Ink will take this opportunity to bring business growth and dedicate to bringing a sustainable, smart and “paper-free” future.

Best regards

Johnson Lee, Chairman

FY Gan, President

**Appendix 2**  
**E INK HOLDINGS INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,047,106	17	\$ 7,695,106	21
Financial assets at fair value through profit or loss (Notes 4 and 7)	2,455,299	6	1,840,835	5
Financial assets at amortized cost (Notes 4, 9 and 30)	7,526,246	18	4,379,385	11
Contract assets (Notes 4 and 21)	60,088	-	187,329	1
Accounts receivable (Notes 4, 10, 21 and 29)	2,059,829	5	2,243,412	6
Other receivables (Note 4)	216,253	1	223,850	1
Current tax assets (Notes 4 and 23)	22,011	-	44,850	-
Inventories (Notes 4 and 11)	1,941,702	5	1,926,990	5
Prepayments (Note 29)	192,732	-	318,982	1
Non-current assets held for sale (Notes 4 and 12)	109,745	-	10,166	-
Other current assets	3,049	-	20	-
Total current assets	<u>21,634,060</u>	<u>52</u>	<u>18,870,925</u>	<u>51</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	4,474,517	11	3,431,736	9
Investments accounted for using the equity method (Note 4)	147,694	-	82,802	-
Property, plant and equipment (Notes 4, 14, 22 and 26)	4,104,317	10	4,521,441	12
Right-of-use assets (Notes 4, 15 and 22)	1,766,034	4	-	-
Goodwill (Notes 4 and 16)	6,720,745	16	6,781,244	19
Other intangible assets (Notes 4, 16, 22 and 29)	1,387,096	3	1,744,809	5
Deferred tax assets (Notes 4 and 23)	987,282	3	1,071,888	3
Other non-current assets (Notes 4, 7, 29 and 30)	399,204	1	409,263	1
Total non-current assets	<u>19,986,889</u>	<u>48</u>	<u>18,043,183</u>	<u>49</u>
TOTAL	<u>\$ 41,620,949</u>	<u>100</u>	<u>\$ 36,914,108</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 30)	\$ 4,557,832	11	\$ 1,480,000	4
Short-term bills payable (Note 17)	579,887	1	564,722	2
Contract liabilities (Notes 4 and 21)	1,298,608	3	1,573,002	4
Notes and accounts payable (Note 29)	1,156,039	3	1,347,676	4
Other payables (Notes 18 and 26)	1,263,755	3	1,351,759	4
Current tax liabilities (Notes 4 and 23)	146,121	-	128,343	-
Other current liabilities (Notes 4, 7, 12, 15 and 29)	204,433	1	123,615	-
Total current liabilities	<u>9,206,675</u>	<u>22</u>	<u>6,569,117</u>	<u>18</u>
<b>NON-CURRENT LIABILITIES</b>				
Contract liabilities (Notes 4 and 21)	1,024,259	3	1,761,719	5
Deferred tax liabilities (Notes 4 and 23)	120,854	-	110,299	-
Lease liabilities (Notes 4, 15 and 29)	1,721,654	4	-	-
Net defined benefit liabilities (Notes 4 and 19)	87,600	-	80,770	-
Other non-current liabilities (Notes 17 and 29)	7,123	-	77,759	-
Total non-current liabilities	<u>2,961,490</u>	<u>7</u>	<u>2,030,547</u>	<u>5</u>
Total liabilities	<u>12,168,165</u>	<u>29</u>	<u>8,599,664</u>	<u>23</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 20 and 25)</b>				
Share capital	<u>11,404,677</u>	<u>27</u>	<u>11,404,677</u>	<u>31</u>
Capital surplus	<u>10,306,993</u>	<u>25</u>	<u>10,243,293</u>	<u>28</u>
Retained earnings				
Legal reserve	1,773,654	4	1,512,287	4
Special reserve	255,475	1	70,678	-
Unappropriated earnings	<u>5,399,253</u>	<u>13</u>	<u>5,138,085</u>	<u>14</u>
Total retained earnings	<u>7,428,382</u>	<u>18</u>	<u>6,721,050</u>	<u>18</u>
Other equity	<u>(29,881)</u>	<u>-</u>	<u>(255,475)</u>	<u>(1)</u>
Treasury shares	<u>(110,032)</u>	<u>-</u>	<u>(184,900)</u>	<u>-</u>
Total equity attributable to owners of the Company	29,000,139	70	27,928,645	76
NON-CONTROLLING INTERESTS (Note 20)	<u>452,645</u>	<u>1</u>	<u>385,799</u>	<u>1</u>
Total equity	<u>29,452,784</u>	<u>71</u>	<u>28,314,444</u>	<u>77</u>
TOTAL	<u>\$ 41,620,949</u>	<u>100</u>	<u>\$ 36,914,108</u>	<u>100</u>

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

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 29)	\$ 13,601,676	100	\$ 14,208,661	100
OPERATING COSTS (Notes 11, 22 and 29)	<u>7,563,090</u>	<u>56</u>	<u>8,278,485</u>	<u>58</u>
GROSS PROFIT	<u>6,038,586</u>	<u>44</u>	<u>5,930,176</u>	<u>42</u>
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	755,050	6	796,893	6
General and administrative expenses	2,349,323	17	2,604,270	18
Research and development expenses	<u>2,374,402</u>	<u>17</u>	<u>2,071,848</u>	<u>15</u>
Total operating expenses	<u>5,478,775</u>	<u>40</u>	<u>5,473,011</u>	<u>39</u>
INCOME FROM OPERATIONS	<u>559,811</u>	<u>4</u>	<u>457,165</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	337,373	2	176,439	1
Royalty income (Notes 4 and 21)	2,240,251	16	2,360,815	17
Dividend income (Note 4)	184,437	1	136,225	1
Gains on sale of land use rights (Note 12)	153,500	1	-	-
Net gain on foreign currency exchange (Note 32)	223,994	2	310,568	2
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	83,444	1	6,413	-
Other income (Note 29)	122,738	1	120,649	1
Interest expenses (Notes 14 and 29)	(86,085)	(1)	(28,579)	-
Impairment loss (Notes 4 and 14)	(63,654)	-	(223,627)	(2)
Other expenses	<u>(34,342)</u>	<u>-</u>	<u>(56,800)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,161,656</u>	<u>23</u>	<u>2,802,103</u>	<u>20</u>
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,721,467	27	3,259,268	23
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(547,870)</u>	<u>(4)</u>	<u>(567,192)</u>	<u>(4)</u>
NET INCOME FOR THE YEAR	<u>3,173,597</u>	<u>23</u>	<u>2,692,076</u>	<u>19</u>

(Continued)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 19)	\$ (13,576)	-	\$ (10,235)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	989,618	7	(432,897)	(3)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	<u>2,938</u>	<u>-</u>	<u>4,226</u>	<u>-</u>
	<u>978,980</u>	<u>7</u>	<u>(438,906)</u>	<u>(3)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(773,206)	(5)	59,248	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	<u>(6,161)</u>	<u>-</u>	<u>(900)</u>	<u>-</u>
	<u>(779,367)</u>	<u>(5)</u>	<u>58,348</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>199,613</u>	<u>2</u>	<u>(380,558)</u>	<u>(3)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 3,373,210</u>	<u>25</u>	<u>\$ 2,311,518</u>	<u>16</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 3,083,789	23	\$ 2,613,673	18
Non-controlling interests	<u>89,808</u>	<u>-</u>	<u>78,403</u>	<u>1</u>
	<u>\$ 3,173,597</u>	<u>23</u>	<u>\$ 2,692,076</u>	<u>19</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 3,306,364	24	\$ 2,236,019	16
Non-controlling interests	<u>66,846</u>	<u>1</u>	<u>75,499</u>	<u>-</u>
	<u>\$ 3,373,210</u>	<u>25</u>	<u>\$ 2,311,518</u>	<u>16</u>

(Continued)

# E INK HOLDINGS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

---

	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 2.72</u>		<u>\$ 2.32</u>	
Diluted	<u>\$ 2.71</u>		<u>\$ 2.31</u>	

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

(Concluded)

## E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity						Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Treasury Shares	Total	Non-controlling Interests	
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE AT JANUARY 1, 2018	1,140,468	\$ 11,404,677	\$ 10,108,119	\$ 1,304,481	\$ 70,678	\$ 4,246,203	\$ (242,623)	\$ 349,232	\$ -	\$ (308,269)	\$ 26,932,498	\$ 294,397	\$ 27,226,895
Effect of retrospective application	-	-	-	-	-	327,468	-	(349,232)	376,899	-	355,135	15,903	371,038
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,140,468	11,404,677	10,108,119	1,304,481	70,678	4,573,671	(242,623)	-	376,899	(308,269)	27,287,633	310,300	27,597,933
Appropriation of 2017 earnings													
Legal reserve	-	-	-	207,806	-	(207,806)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,853,550)	-	-	-	-	(1,853,550)	-	(1,853,550)
Unclaimed dividends extinguished by prescription	-	-	14	-	-	-	-	-	-	-	14	-	14
Net income for the year ended December 31, 2018	-	-	-	-	-	2,613,673	-	-	-	-	2,613,673	78,403	2,692,076
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(6,052)	61,295	-	(432,897)	-	(377,654)	(2,904)	(380,558)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	2,607,621	61,295	-	(432,897)	-	2,236,019	75,499	2,311,518
Share-based payments	-	-	135,552	-	-	-	-	-	-	-	135,552	-	135,552
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,149	-	-	(18,149)	-	-	-	-
Treasury shares transferred to employees	-	-	(392)	-	-	-	-	-	-	123,369	122,977	-	122,977
BALANCE AT DECEMBER 31, 2018	1,140,468	11,404,677	10,243,293	1,512,287	70,678	5,138,085	(181,328)	-	(74,147)	(184,900)	27,928,645	385,799	28,314,444
Appropriation of 2018 earnings													
Legal reserve	-	-	-	261,367	-	(261,367)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	184,797	(184,797)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,373,438)	-	-	-	-	(2,373,438)	-	(2,373,438)
Unclaimed dividends extinguished by prescription	-	-	26	-	-	-	-	-	-	-	26	-	26
Net income for the year ended December 31, 2019	-	-	-	-	-	3,083,789	-	-	-	-	3,083,789	89,808	3,173,597
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(10,697)	(756,459)	-	989,731	-	222,575	(22,962)	199,613
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	3,073,092	(756,459)	-	989,731	-	3,306,364	66,846	3,373,210
Share-based payments	-	-	63,912	-	-	-	-	-	-	-	63,912	-	63,912
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	7,678	-	-	(7,678)	-	-	-	-
Treasury shares transferred to employees	-	-	(238)	-	-	-	-	-	-	74,868	74,630	-	74,630
BALANCE AT DECEMBER 31, 2019	1,140,468	\$ 11,404,677	\$ 10,306,993	\$ 1,773,654	\$ 255,475	\$ 5,399,253	\$ (937,787)	\$ -	\$ 907,906	\$ (110,032)	\$ 29,000,139	\$ 452,645	\$ 29,452,784

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

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax from continuing operations	\$ 3,721,467	\$ 3,259,268
Adjustments for		
Depreciation expenses	784,768	683,786
Amortization expenses	463,395	420,594
Expected credit loss recognized (reversed) on accounts receivable	(6,401)	21,200
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(83,444)	(6,413)
Interest expenses	86,085	28,579
Interest income	(337,373)	(176,439)
Dividend income	(184,437)	(136,225)
Compensation costs of share-based payments	63,912	135,552
Share of loss of associates and joint ventures accounted for using the equity method	8,460	5,054
Net gain on disposal of property, plant and equipment	(2,746)	(796)
Gain on sale of land use rights	(153,500)	-
Net loss on disposal of investments	2,934	1,888
Impairment loss	63,654	223,627
Write-downs of inventories	134,739	204,382
Net unrealized loss (gain) on foreign currency exchange	(29,250)	4,458
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(24,934)	-
Contract assets	120,460	134,610
Accounts receivable	193,773	(224,772)
Other receivables	43,629	31,774
Inventories	(206,533)	80,370
Prepayments	124,885	(183,310)
Other current assets	(3,029)	27
Contract liabilities	(966,420)	105,027
Notes and accounts payable	(177,956)	(879,066)
Other payables	(75,658)	(359,033)
Other current liabilities	17,860	(550,246)
Net defined benefit liabilities	(5,983)	376
Cash generated from operations	3,572,357	2,824,272
Income tax received (paid)	(427,739)	29,534



Net cash generated from operating activities	<u>3,144,618</u>	<u>2,853,806</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(64,692)	(968,590)
Proceeds from disposal of financial assets at fair value through other comprehensive income	9,928	184,552
		(Continued)

## E INK HOLDINGS INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	\$ -	\$ 6,431
Acquisition of financial assets at amortized cost	(14,670,275)	(4,834,433)
Proceeds from disposal of financial assets at amortized cost	11,321,850	1,287,349
Acquisition of financial assets at fair value through profit or loss	(1,511,179)	(1,818,502)
Proceeds from sale of financial assets at fair value through profit or loss	823,402	-
Acquisition of associates	(79,513)	-
Disposal of subsidiaries	-	(713)
Acquisition of property, plant and equipment	(550,492)	(575,061)
Proceeds from disposal of property, plant and equipment	6,869	32,128
Acquisition of other intangible assets	(123,803)	(249,190)
Proceeds from disposal of land use rights	153,869	-
Decrease (increase) in other non-current assets	58,147	(154,318)
Interest received	300,623	172,454
Dividends received	<u>184,437</u>	<u>136,225</u>
Net cash used in investing activities	<u>(4,140,829)</u>	<u>(6,781,668)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	3,091,036	1,101,625
Increase in short-term bills payable	15,165	564,722
Repayments of long-term borrowings	(43,169)	(118,148)
Repayment of the principal portion of lease liabilities	(75,899)	-
Increase (decrease) in other non-current liabilities	(788)	6,783
Cash dividends	(2,373,438)	(1,853,550)
Proceeds from treasury shares transferred to employees	74,630	122,977
Interest paid	(79,203)	(27,922)
Proceeds from unclaimed dividends extinguished by prescription	<u>26</u>	<u>14</u>
Net cash generated from (used in) financing activities	<u>608,360</u>	<u>(203,499)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(260,149)</u>	<u>(52,182)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	(648,000)	(4,183,543)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,695,106</u>	<u>11,878,649</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,047,106</u>	<u>\$ 7,695,106</u>

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

(Concluded)

# E INK HOLDINGS INC.

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,021,441	3	\$ 1,166,960	3
Accounts receivable (Notes 4 and 8)	985,790	3	676,905	2
Accounts receivable from related parties (Note 24)	2,665,187	7	3,210,369	9
Inventories (Notes 4 and 9)	1,663,656	4	1,676,864	5
Prepayments	69,725	-	114,487	-
Other current assets (Notes 4, 18, 24 and 25)	63,449	-	73,796	-
Total current assets	<u>6,469,248</u>	<u>17</u>	<u>6,919,381</u>	<u>19</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss (Note 4)	60,285	-	-	-
Financial assets at fair value through other comprehensive income (Notes 4 and 7)	1,361,416	4	1,120,180	3
Investments accounted for using the equity method (Notes 4 and 10)	27,029,983	72	25,350,261	72
Property, plant and equipment (Notes 4, 11, 17 and 21)	1,330,352	3	1,376,998	4
Right-of-use assets (Notes 4, 12 and 17)	840,585	2	-	-
Other intangible assets (Notes 4, 17 and 24)	246,717	1	254,224	1
Deferred tax assets (Notes 4 and 18)	275,583	1	259,469	1
Other non-current assets	52,995	-	53,888	-
Total non-current assets	<u>31,197,916</u>	<u>83</u>	<u>28,415,020</u>	<u>81</u>
<b>TOTAL</b>	<u>\$ 37,667,164</u>	<u>100</u>	<u>\$ 35,334,401</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 13)	\$ 2,940,000	8	\$ 1,230,000	4
Short-term bills payable (Note 13)	379,919	1	399,812	1
Contract liabilities (Notes 4 and 16)	150,411	-	203,605	1
Notes and accounts payable	885,690	2	1,181,788	3
Accounts payable to related parties (Note 24)	2,519,458	7	3,173,821	9
Other payables (Note 21)	582,861	2	588,257	2
Other payables to related parties (Notes 21 and 24)	8,763	-	257,880	1
Current tax liabilities (Notes 4 and 18)	45,598	-	93,272	-
Receipts in advance (Notes 4 and 24)	112,953	-	71,185	-
Other current liabilities (Notes 4 and 12)	70,346	-	59,674	-
Total current liabilities	<u>7,695,999</u>	<u>20</u>	<u>7,259,294</u>	<u>21</u>
<b>NON-CURRENT LIABILITIES</b>				
Contract liabilities (Notes 4 and 16)	67,087	-	65,806	-
Lease liabilities (Notes 4 and 12)	824,971	2	-	-
Net defined benefit liabilities (Notes 4 and 14)	76,941	1	64,818	-
Other non-current liabilities (Notes 4, 18 and 24)	2,027	-	15,838	-
Total non-current liabilities	<u>971,026</u>	<u>3</u>	<u>146,462</u>	<u>-</u>
Total liabilities	<u>8,667,025</u>	<u>23</u>	<u>7,405,756</u>	<u>21</u>
<b>EQUITY (Notes 15 and 20)</b>				
Share capital	<u>11,404,677</u>	<u>30</u>	<u>11,404,677</u>	<u>33</u>
Capital surplus	<u>10,306,993</u>	<u>27</u>	<u>10,243,293</u>	<u>29</u>
Retained earnings				
Legal reserve	1,773,654	5	1,512,287	4
Special reserve	255,475	1	70,678	-
Unappropriated earnings	<u>5,399,253</u>	<u>14</u>	<u>5,138,085</u>	<u>15</u>
Total retained earnings	<u>7,428,382</u>	<u>20</u>	<u>6,721,050</u>	<u>19</u>
Other equity	<u>(29,881)</u>	<u>-</u>	<u>(255,475)</u>	<u>(1)</u>
Treasury shares	<u>(110,032)</u>	<u>-</u>	<u>(184,900)</u>	<u>(1)</u>
Total equity	<u>29,000,139</u>	<u>77</u>	<u>27,928,645</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 37,667,164</u>	<u>100</u>	<u>\$ 35,334,401</u>	<u>100</u>

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

## E INK HOLDINGS INC.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 16 and 24)	\$ 12,860,810	100	\$ 12,773,679	100
OPERATING COSTS (Notes 9, 17 and 24)	<u>10,715,354</u>	<u>83</u>	<u>10,582,105</u>	<u>83</u>
GROSS PROFIT	<u>2,145,456</u>	<u>17</u>	<u>2,191,574</u>	<u>17</u>
UNREALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES	<u>-</u>	<u>-</u>	<u>(1,492)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,145,456</u>	<u>17</u>	<u>2,190,082</u>	<u>17</u>
OPERATING EXPENSES (Notes 17 and 24)				
Selling and marketing expenses	393,693	3	381,269	3
General and administrative expenses	657,956	5	757,525	6
Research and development expenses	<u>999,315</u>	<u>8</u>	<u>794,738</u>	<u>6</u>
Total operating expenses	<u>2,050,964</u>	<u>16</u>	<u>1,933,532</u>	<u>15</u>
INCOME FROM OPERATIONS	<u>94,492</u>	<u>1</u>	<u>256,550</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	9,929	-	4,279	-
Royalty income (Notes 4 and 16)	248,388	2	241,696	2
Dividend income (Note 4)	66,208	-	51,892	-
Other income	40,007	-	42,744	-
Interest expenses (Notes 11 and 24)	(37,839)	-	(14,688)	-
Share of profit of subsidiaries accounted for using the equity method	2,806,352	22	2,119,710	17
Net gain (loss) on disposal of property, plant and equipment	6,011	-	(1,316)	-
Net gain (loss) on foreign currency exchange (Note 27)	(64,791)	(1)	56,663	-
Impairment loss (Notes 4 and 11)	(12,895)	-	(86,805)	-
Net loss on fair value change of financial assets and liabilities at fair value through profit or loss	(17,715)	-	-	-
Other expenses	<u>(2,644)</u>	<u>-</u>	<u>(3,342)</u>	<u>-</u>

Total non-operating income and expenses	<u>3,041,011</u>	<u>23</u>	<u>2,410,833</u>	<u>19</u>
INCOME BEFORE INCOME TAX	3,135,503	24	2,667,383	21
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(51,714)</u>	<u>-</u>	<u>(53,710)</u>	<u>-</u>
NET INCOME FOR THE YEAR	<u>3,083,789</u>	<u>24</u>	<u>2,613,673</u>	<u>21</u>

(Continued)

# E INK HOLDINGS INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans(Notes 4 and 14)	\$ (14,690)	-	\$ (11,060)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	251,164	2	42,302	-
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	739,622	6	(474,417)	(3)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 18)	<u>2,938</u>	<u>-</u>	<u>4,226</u>	<u>-</u>
	<u>979,034</u>	<u>8</u>	<u>(438,949)</u>	<u>(3)</u>
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	<u>(756,459)</u>	<u>(6)</u>	<u>61,295</u>	<u>-</u>
	<u>(756,459)</u>	<u>(6)</u>	<u>61,295</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>222,575</u>	<u>2</u>	<u>(377,654)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,306,364</u>	<u>26</u>	<u>\$ 2,236,019</u>	<u>18</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 2.72</u>		<u>\$ 2.32</u>	
Diluted	<u>\$ 2.71</u>		<u>\$ 2.31</u>	

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

(Concluded)

# E INK HOLDINGS INC.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings			Other Equity			Treasury Shares	Total
	Shares	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at FVTOCI		
	(In Thousands)										
BALANCE AT JANUARY 1, 2018	1,140,468	\$ 11,404,677	\$ 10,108,119	\$ 1,304,481	\$ 70,678	\$ 4,246,203	\$ (242,623)	\$ 349,232	\$ -	\$ (308,269)	\$ 26,932,498
Effect of retrospective application	-	-	-	-	-	327,468	-	(349,232)	376,899	-	355,135
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,140,468	11,404,677	10,108,119	1,304,481	70,678	4,573,671	(242,623)	-	376,899	(308,269)	27,287,633
Appropriation of 2017 earnings											
Legal reserve	-	-	-	207,806	-	(207,806)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,853,550)	-	-	-	-	(1,853,550)
Unclaimed dividends extinguished by prescription	-	-	14	-	-	-	-	-	-	-	14
Net income for the year ended December 31, 2018	-	-	-	-	-	2,613,673	-	-	-	-	2,613,673
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(6,052)	61,295	-	(432,897)	-	(377,654)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	2,607,621	61,295	-	(432,897)	-	2,236,019
Share-based payments	-	-	135,552	-	-	-	-	-	-	-	135,552
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,149	-	-	(18,149)	-	-
Treasury shares transferred to employees	-	-	(392)	-	-	-	-	-	-	123,369	122,977
BALANCE AT DECEMBER 31, 2018	1,140,468	11,404,677	10,243,293	1,512,287	70,678	5,138,085	(181,328)	-	(74,147)	(184,900)	27,928,645
Appropriation of 2018 earnings											
Legal reserve	-	-	-	261,367	-	(261,367)	-	-	-	-	-
Special reserve	-	-	-	-	184,797	(184,797)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,373,438)	-	-	-	-	(2,373,438)
Unclaimed dividends extinguished by prescription	-	-	26	-	-	-	-	-	-	-	26
Net income for the year ended December 31, 2019	-	-	-	-	-	3,083,789	-	-	-	-	3,083,789
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(10,697)	(756,459)	-	989,731	-	222,575
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	3,073,092	(756,459)	-	989,731	-	3,306,364
Share-based payments	-	-	63,912	-	-	-	-	-	-	-	63,912
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	7,678	-	-	(7,678)	-	-
Treasury shares transferred to employees	-	-	(238)	-	-	-	-	-	-	74,868	74,630
BALANCE AT DECEMBER 31, 2019	1,140,468	\$ 11,404,677	\$ 10,306,993	\$ 1,773,654	\$ 255,475	\$ 5,399,253	\$ (937,787)	\$ -	\$ 907,906	\$ (110,032)	\$ 29,000,139

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



# E INK HOLDINGS INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,135,503	\$ 2,667,383
Adjustments for		
Depreciation expenses	273,394	240,682
Amortization expenses	47,314	39,643
Expected credit loss recognized (reversed) on accounts receivable	(230)	1,120
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	17,715	-
Interest expenses	37,839	14,688
Interest income	(9,929)	(4,279)
Dividend income	(66,208)	(51,892)
Compensation costs of share-based payments	38,909	91,454
Share of profit of subsidiaries accounted for using the equity method	(2,806,352)	(2,119,710)
Net loss (gain) on disposal of property, plant and equipment	(6,011)	1,316
Impairment loss	12,895	86,805
Write-downs of inventories	102,850	217,212
Unrealized loss on transactions with subsidiaries	-	1,492
Net unrealized loss on foreign currency exchange	48,829	30,515
Royalty income	(248,388)	(241,696)
Changes in operating assets and liabilities		
Accounts receivable	(323,422)	(423,076)
Accounts receivable from related parties	464,918	1,106,122
Inventories	(89,642)	19,716
Prepayments	41,534	(102,474)
Other current assets	3,595	(12,313)
Contract liabilities	196,475	340,470
Notes and accounts payable	(288,933)	(638,927)
Accounts payable to related parties	(618,720)	(969,117)
Other payables	42,957	(46,591)
Receipts in advance	58,400	(90,006)
Other current liabilities	(6,414)	25,409
Net defined benefit liabilities	(2,567)	(2,134)
Cash generated from operations	56,311	181,812
Income tax paid	(126,704)	(137,519)
Net cash generated from (used in) operating activities	(70,393)	44,293

## CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from disposal of financial assets at fair value through other comprehensive income	9,928	-
Acquisition of financial assets at amortized cost	(34,666)	(36,835)
Proceeds from disposal of financial assets at amortized cost	36,835	36,678
Acquisition of financial assets at fair value through profit or loss	(78,000)	-
Acquisition of subsidiaries	(4,340)	-
Acquisition of property, plant and equipment	(261,619)	(176,100)

(Continued)

## E INK HOLDINGS INC.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from disposal of property, plant and equipment	\$ 6,071	\$ 72
Decrease in other receivables from related parties	4,474	26,481
Acquisition of other intangible assets	(36,581)	(67,646)
Decrease (increase) in other non-current assets	58	(674)
Interest received	9,899	4,171
Dividends received	<u>1,188,712</u>	<u>798,083</u>
Net cash generated from investing activities	<u>840,771</u>	<u>584,230</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,710,000	999,900
Increase (decrease) in short-term bills payable	(19,893)	399,812
Increase (decrease) in other payables to related parties	(249,146)	244,802
Repayment of the principal portion of lease liabilities	(20,616)	-
Increase (decrease) in other non-current liabilities	329	(566)
Cash dividends	(2,373,438)	(1,853,550)
Proceeds from treasury shares transferred to employees	74,630	122,977
Interest paid	(37,789)	(14,311)
Proceeds from unclaimed dividends extinguished by prescription	<u>26</u>	<u>14</u>
Net cash used in financing activities	<u>(915,897)</u>	<u>(100,922)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(145,519)	527,601
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,166,960</u>	<u>639,359</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,021,441</u>	<u>\$ 1,166,960</u>

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

(Concluded)

## **Appendix 3**

### **Audit Committee's Review Report**

We express our consent on the separate and consolidated financial statements compiled by the Board of Directors covering the year ended on December 31, 2019. These financial statements were audited by Huang Hui-Min and Shao Chi-Ming, CPAs of Deloitte Taiwan with the issuance of Auditors' Report.

The Board of Directors also presented the 2019 Business Report and Proposal for Distribution of Income of the year for our review. In our opinion, these reports and statements were fairly presented in accordance with applicable legal rules. We present the aforementioned statements and report to the Shareholders Meeting pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

2020 Annual General Meeting of Stockholders Meeting

E INK HOLDINGS INC.

Convener of the Audit Committee: Ten Chung Chen

Date: March 18, 2020

## Appendix 4

### E INK HOLDINGS INC.

#### Table For The Distribution Of Earnings In 2019

Unit: NT\$

Item	Amount		Remarks
<b>Earnings undistributed at the period-beginning</b>		\$2,318,482,391	
Net income of the current year	\$ 3,083,788,601		
Adjusted retained earnings for investment due to the use of the equity approach	1,054,839		
Disposal of equity instruments carried at fair value through other comprehensive income and transfer of cumulative gains/losses to retained earnings	7,678,000		
Remeasured amount of confirmed welfare plan listed in the retained earnings	(11,751,662)		
<b>Sum of current net income and non-net income items added to current undistributed earnings</b>		3,080,769,778	
Statutory surplus reserve set aside (10%)		(308,076,978)	
Reversal of special reserve previously provided		154,915,452	
<b>Distributable earnings for the year</b>		5,246,090,643	
Items of distribution			
Cash dividends and bonuses for shareholders		(2,268,725,430)	Cash dividends at NT\$2.0 per share
<b>Closing undistributed earnings</b>		\$2,977,365,213	

Chairman: Johnson Lee    CFO: Lloyd Chen    Controller: James Huang

## Appendix 5

### E INK HOLDINGS INC.

#### Comparison of Changes to Board of Directors Conference Rules

Clause	After amendment	Before amendment	Notes
Article 7	<p>The following issues shall be raised for discussion in board of directors meetings:</p> <ol style="list-style-type: none"> <li>1. The Company's operating plans.</li> <li>2. Annual financial report <u>signed or sealed by Chairman, manager and chief accountant, and second-quarter financial reports audited by CPA.</u></li> <li>3. Establishment or amendment of internal control system, and assessment of effectiveness of the internal control system according to Article 14-1 of the Securities and Exchange Act.</li> <li>4. Establishment or amendment of asset acquisition and disposal procedures, derivative trading procedures, third party lending procedures, third party endorsement and guarantee procedures, and other procedures of major financial consequences according to Article 36-1 of the Securities and Exchange Act.</li> <li>5. Offering, issuance, or private placement of securities with equity characteristics.</li> <li>6. Appointment and dismissal of the head of finance, accounting, or chief internal auditor.</li> <li>7. Donation to related party or major donation to non-</li> </ol>	<p>The following issues shall be raised for discussion in board of directors meetings:</p> <ol style="list-style-type: none"> <li>1. The Company's operating plans.</li> <li>2. Annual <u>and semi-annual financial reports. This excludes semi-annual financial reports that do not need to be audited by a CPA.</u></li> <li>3. Establishment or amendment of internal control system, and assessment of effectiveness of the internal control system according to Article 14-1 of the Securities and Exchange Act.</li> <li>4. Establishment or amendment of asset acquisition and disposal procedures, derivative trading procedures, third party lending procedures, third party endorsement and guarantee procedures, and other procedures of major financial consequences according to Article 36-1 of the Securities and Exchange Act.</li> <li>5. Offering, issuance, or private placement of securities with equity characteristics.</li> <li>6. Appointment and dismissal of the head of finance, accounting, or chief internal auditor.</li> <li>7. Donation to related party or major donation to non-related party. However, in</li> </ol>	Amended to conform with regulatory amendments

Clause	After amendment	Before amendment	Notes
	<p>related party. However, in the occurrence of a major natural disaster, emergency aids of charitable nature can be made first and acknowledged later during the next board of directors meeting.</p> <p>8. Any decisions that shall be resolved in a shareholder meeting or a board of directors meeting as required by Article 14-3 of the Securities and Exchange Act, relevant regulations or Articles of Incorporation, and any major issues prompted by the competent authority.</p> <p>The term "related party" mentioned in Subparagraph 7 above shall adhere to the definitions stipulated in Regulations Governing the Preparation of Financial Reports by Securities Issuers. Major donation to non-related party shall refer to any single or cumulative donations that amount to NT\$100 million or above in a year to the same party, or amounts that accumulate to more than 1% of net revenues or 5% of paid-up capital, as shown in the latest audited financial statements. The one-year period mentioned above shall refer to the one year dating back from the current board meeting. Amounts that have already been passed in previous board meetings may be excluded from calculation. If the Company has independent directors in place, at least one independent director shall be</p>	<p>the occurrence of a major natural disaster, emergency aids of charitable nature can be made first and acknowledged later during the next board of directors meeting.</p> <p>8. Any decisions that shall be resolved in a shareholder meeting or a board of directors meeting as required by Article 14-3 of the Securities and Exchange Act, relevant regulations or Articles of Incorporation, and any major issues prompted by the competent authority.</p> <p>The term "related party" mentioned in Subparagraph 7 above shall adhere to the definitions stipulated in Regulations Governing the Preparation of Financial Reports by Securities Issuers. Major donation to non-related party shall refer to any single or cumulative donations that amount to NT\$100 million or above in a year to the same party, or amounts that accumulate to more than 1% of net revenues or 5% of paid-up capital, as shown in the latest audited financial statements. The one-year period mentioned above shall refer to the one year dating back from the current board meeting. Amounts that have already been passed in previous board meetings may be excluded from calculation. If the Company has independent directors in place, at least one independent director shall be personally present at each board</p>	

Clause	After amendment	Before amendment	Notes
	<p>personally present at each board of directors meeting.</p> <p>For any decisions that require resolution in a board of directors meeting, as mentioned in Article 14-3 of the Securities and Exchange Act, all independent directors shall personally attend the board meeting. Independent directors who are unable to attend personally shall appoint another independent director to attend on behalf. All objections and reservations expressed by independent directors shall be detailed in board of directors meeting minutes. If the independent director is unable to express objections or reservations in person during the board of directors meeting, the opinion shall be expressed in writing in advance and recorded in board meeting minutes unless there is justifiable reason not to do so.</p>	<p>of directors meeting.</p> <p>For any decisions that require resolution in a board of directors meeting, as mentioned in Article 14-3 of the Securities and Exchange Act, all independent directors shall personally attend the board meeting. Independent directors who are unable to attend personally shall appoint another independent director to attend on behalf. All objections and reservations expressed by independent directors shall be detailed in board of directors meeting minutes. If the independent director is unable to express objections or reservations in person during the board of directors meeting, the opinion shall be expressed in writing in advance and recorded in board meeting minutes unless there is justifiable reason not to do so.</p>	
Article 14	<p>The chairperson may announce to discontinue further discussions if the chairperson considers the motion to have been sufficiently discussed to proceed with voting.</p> <p>A motion is considered passed if none of the attending directors express any objection when asked by the chairperson during the voting process. This voting method shall carry the same effect as the ballot method.</p> <p><u>The attending directors mentioned in the two paragraphs above do not include directors who are not permitted to vote under Paragraphs 1 and 2 of Article 16.</u></p>	<p>The chairperson may announce to discontinue further discussions if the chairperson considers the motion to have been sufficiently discussed to proceed with voting.</p> <p>A motion is considered passed if none of the attending directors express any objection when asked by the chairperson during the voting process. This voting method shall carry the same effect as the ballot method.</p>	Amended to conform with regulatory amendments



Clause	After amendment	Before amendment	Notes
Article 16	<p>If a director, or the corporate entity a director represents, is considered a stakeholder to the discussed topic, the director shall state the stakes involved during the current meeting session and shall disassociate from all discussions and voting if the stakes are in conflict against the Company's interests. In addition, the director may not exercise voting rights on behalf of other directors.</p> <p><u>Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u></p> <p>Board resolutions that involve directors who are prohibited from exercising voting rights, as mentioned <u>in the two preceding Paragraphs</u>, shall proceed according to Paragraph 4, Article 206 and Paragraph 2, Article 180 of The Company Act.</p>	<p>If a director, or the corporate entity a director represents, is considered a stakeholder to the discussed topic, the director shall state the stakes involved during the current meeting session and shall disassociate from all discussions and voting if the stakes are in conflict against the Company's interests. In addition, the director may not exercise voting rights on behalf of other directors.</p> <p>Board resolutions that involve directors who are prohibited from exercising voting rights, as mentioned above, are governed by Paragraph 3, Article 206 and Paragraph 2, Article 180 of The Company Act.</p>	Amended to conform with regulatory amendments

## Appendix 6

### E INK HOLDINGS INC.

#### Comparison Table of the Draft the Amendment of the "Articles of Association"

Article No.	After amendment	Before amendment	Amendment reason
Article 19-1	<p>The Company is engaged in the emerging technological industry. To coordinate with the Company's long-term financial planning, and seek for sustainable operation, the residual dividend policy is adopted.</p> <p>If there is surplus after the settlement of each year, 10% statutory surplus reserve shall be set aside according to law after taxes are paid and loss or previous years is offset. Then, special surplus reserve shall be set aside or transferred; if there is still surplus, the Board of Director shall measure the capital demand of future years according to the future capital budget. After keeping the part for the future, at least 50% of the remaining amount shall be distributed as dividend and bonus for shareholders.</p> <p>The distribution of the aforesaid surplus shall be together with the accumulated undistributed surplus of the previous years. The distribution of dividend and bonus for shareholders shall be made in cash or stocks. Dividends made in cash shall not be less than 10% of the total dividend distribution of the year.</p> <p>When Item 2 statutory surplus reserve reaches the amount of paid-in capital, the provision shall be stopped.</p>	<p>The Company is engaged in the emerging technological industry. To coordinate with the Company's long-term financial planning, and seek for sustainable operation, the residual dividend policy is adopted.</p> <p>If there is surplus after the settlement of each year, 10% statutory surplus reserve shall be set aside according to law after taxes are paid and loss or previous years is offset. Then, special surplus reserve shall be set aside or transferred; if there is still surplus, the Board of Director shall measure the capital demand of future years according to the future capital budget. After keeping the part for the future, at least 50% of the remaining amount shall be distributed as dividend and bonus for shareholders.</p> <p>The distribution of the aforesaid surplus shall be together with the accumulated undistributed surplus of the previous years. The distribution of dividend and bonus for shareholders shall be made in cash or stocks. Dividends made in cash shall not be less than 10% of the total dividend distribution of the year.</p> <p>When Item 2 statutory surplus reserve reaches the amount of paid-in capital, the provision shall be stopped.</p> <p><u>The proposal for the distribution of earnings each year shall be submitted by the Board of Directors to the shareholders' meeting for resolution.</u></p>	<p>In accordance with Article 240, Article 5 of the Company Law, the company may authorize the board of directors in the articles of association by special resolution to pay all or part of the dividends and dividends to be distributed in cash, and then report it to the shareholders' meeting, so it is deleted. Part.</p>
Article 19-2	<p>With the attendance of more than 2/3 of directors in the Board Meeting and the resolution of more than half of the present directors, all or part of the dividends to be distributed shall be paid by issuance of new shares. The issuance shall be approved by the shareholders' meeting.</p>	<p>With the attendance of more than 2/3 of directors in the Board Meeting and the resolution of more than half of the present directors, all or part of the dividends and bonuses to be distributed shall be paid in cash, and the issue shall be reported to the shareholders' meeting.</p>	<p>In order to clarify the distribution method of surplus, it is appropriate to make an explanation of the distribution of surplus by "transferring capital to issue new shares.</p>
Article 21	<p>The Articles of Association was concluded on June 1, 1992.</p> <p>The first amendment was made on December 23, 1993.</p> <p>.....</p> <p>The twenty third amendment was made on June 22, 2016</p> <p>The twenty fourth amendment was made on June 18, 2019</p> <p><u>The twenty fifth amendment was made on June 18, 2020</u></p>	<p>The Articles of Association was concluded on June 1, 1992.</p> <p>The first amendment was made on December 23, 1993.</p> <p>.....</p> <p>The twenty third amendment was made on June 22, 2016</p> <p>The twenty fourth amendment was made on June 18, 2019</p>	

## Memo