

E Ink Holdings Inc.

**Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

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, 2021 and 2020, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, 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 Auditors' 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2021. This matter was 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 this matter.

The key audit matter for the Company's financial statements for the year ended December 31, 2021 is stated as follows:

Sales Revenue - Recognition of Sales Revenue from Internet of Things Applications Products

The Company mainly sells products, such as consumer electronics and Internet of Things applications, which were affected by change in end-market demand due to the COVID-19 pandemic. The Company adjusted its product structure to respond to such changes. Among them, the proportion of sales revenue from Internet of Things applications products has increased, which consequently increased the risk associated with the occurrence of sales revenue transactions from Internet of Things applications products. Therefore, the recognition of sales revenue from Internet of Things applications products was identified as a key audit matter.

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

1. We understood and tested the design and operating effectiveness of relevant internal controls over the occurrence of sales revenue from Internet of Things applications products.
2. We sampled the sales details of Internet of Things applications products, inspected receipts signed by the customers or export declaration of overseas sales, and confirmed the receipt of payments.

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 Company's 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 Company's 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 auditors' 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 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 Company's 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 management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 a matter that was of most significance in the audit of the financial statements for the year ended December 31, 2021, and is therefore the key audit matter. We describe this matter in our auditors' 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 audits resulting in this independent auditors' report are Hui-Min Huang and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2022

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, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash (Note 6)	\$ 2,420,512	4	\$ 764,953	2
Accounts receivable (Notes 9 and 17)	1,799,879	3	652,362	2
Accounts receivable from related parties (Notes 9 and 25)	5,940,295	11	3,641,276	9
Inventories (Note 10)	3,331,601	6	1,687,744	4
Prepayments	90,574	-	76,991	-
Other current assets (Notes 7, 25 and 26)	55,618	-	69,043	-
Total current assets	<u>13,638,479</u>	<u>24</u>	<u>6,892,369</u>	<u>17</u>
NON-CURRENT ASSETS (Note 4)				
Financial assets at fair value through other comprehensive income (Notes 8 and 25)	4,769,739	8	1,648,432	4
Investments accounted for using the equity method (Notes 11 and 25)	34,983,733	61	30,362,978	73
Property, plant and equipment (Notes 12, 18, 22 and 25)	2,235,982	4	1,314,914	3
Right-of-use assets (Notes 13 and 18)	797,765	2	815,267	2
Other intangible assets (Note 18)	206,420	-	236,373	-
Deferred tax assets (Note 19)	396,160	1	353,785	1
Other non-current assets	6,584	-	53,032	-
Total non-current assets	<u>43,396,383</u>	<u>76</u>	<u>34,784,781</u>	<u>83</u>
TOTAL	<u>\$ 57,034,862</u>	<u>100</u>	<u>\$ 41,677,150</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Short-term borrowings (Note 14)	\$ 2,210,200	4	\$ 3,849,400	9
Short-term bills payable (Note 14)	4,299,598	7	699,656	2
Contract liabilities (Note 17)	2,620,296	5	309,018	1
Notes and accounts payable	2,512,656	4	1,276,194	3
Accounts payable to related parties (Note 25)	6,790,439	12	2,766,901	7
Other payables (Notes 22 and 25)	942,540	2	680,615	2
Current tax liabilities (Note 19)	243,657	-	286,455	1
Receipts in advance (Note 25)	387,339	1	198,262	-
Other current liabilities (Note 13)	92,041	-	108,530	-
Total current liabilities	<u>20,098,766</u>	<u>35</u>	<u>10,175,031</u>	<u>25</u>
NON-CURRENT LIABILITIES (Note 4)				
Long-term borrowings (Note 14)	847,340	2	63,000	-
Contract liabilities (Note 17)	-	-	30,600	-
Lease liabilities (Note 13)	787,622	1	805,440	2
Net defined benefit liabilities (Note 15)	90,036	-	85,314	-
Other non-current liabilities (Notes 11, 19 and 25)	43,932	-	9,155	-
Total non-current liabilities	<u>1,768,930</u>	<u>3</u>	<u>993,509</u>	<u>2</u>
Total liabilities	<u>21,867,696</u>	<u>38</u>	<u>11,168,540</u>	<u>27</u>
EQUITY (Notes 16 and 21)				
Share capital	11,404,047	20	11,404,677	27
Capital surplus	10,407,670	18	10,310,536	25
Retained earnings	11,000,202	20	8,760,870	21
Other equity	2,355,247	4	142,559	-
Treasury shares	-	-	(110,032)	-
Total equity	<u>35,167,166</u>	<u>62</u>	<u>30,508,610</u>	<u>73</u>
TOTAL	<u>\$ 57,034,862</u>	<u>100</u>	<u>\$ 41,677,150</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 25)	\$ 18,068,580	100	\$ 14,365,868	100
OPERATING COSTS (Notes 10, 18 and 25)	<u>15,133,500</u>	<u>84</u>	<u>11,334,861</u>	<u>79</u>
GROSS PROFIT	<u>2,935,080</u>	<u>16</u>	<u>3,031,007</u>	<u>21</u>
OPERATING EXPENSES (Notes 18 and 25)				
Selling and marketing expenses	355,839	2	331,838	2
General and administrative expenses	756,032	4	644,057	5
Research and development expenses	<u>1,095,144</u>	<u>6</u>	<u>1,092,299</u>	<u>8</u>
Total operating expenses	<u>2,207,015</u>	<u>12</u>	<u>2,068,194</u>	<u>15</u>
INCOME FROM OPERATIONS	<u>728,065</u>	<u>4</u>	<u>962,813</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 18)	1,303	-	7,015	-
Royalty income (Notes 4 and 17)	239,356	2	248,072	2
Dividend income	193,790	1	85,417	-
Other income (Note 25)	50,320	-	40,330	-
Net gain (loss) on disposal of property, plant and equipment	3,081	-	(80,477)	(1)
Net loss on foreign currency exchange (Note 29)	(35,416)	-	(167,533)	(1)
Share of profit of subsidiaries and associates accounted for using the equity method	4,190,633	23	2,823,170	20
Interest expenses (Note 12)	(61,290)	-	(53,297)	-
Other expenses (Note 25)	(9,786)	-	(7,628)	-
Net loss on fair value change of financial assets and liabilities at fair value through profit or loss	(1,068)	-	(53,381)	-
Total non-operating income and expenses	<u>4,570,923</u>	<u>26</u>	<u>2,841,688</u>	<u>20</u>
INCOME BEFORE INCOME TAX	5,298,988	30	3,804,501	26
INCOME TAX EXPENSE (Notes 4 and 19)	<u>(148,943)</u>	<u>(1)</u>	<u>(201,912)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>5,150,045</u>	<u>29</u>	<u>3,602,589</u>	<u>25</u>

(Continued)

E INK HOLDINGS INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	\$ (9,878)	-	\$ (10,494)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,257,409	7	(12,534)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	2,658,550	14	288,241	2
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>(202,085)</u>	<u>(1)</u>	<u>(8,923)</u>	<u>-</u>
	<u>3,703,996</u>	<u>20</u>	<u>256,290</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>(1,337,425)</u>	<u>(7)</u>	<u>(86,656)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>2,366,571</u>	<u>13</u>	<u>169,634</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,516,616</u>	<u>42</u>	<u>\$ 3,772,223</u>	<u>26</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 4.53</u>		<u>\$ 3.18</u>	
Diluted	<u>\$ 4.52</u>		<u>\$ 3.17</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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings				Other Equity			
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Treasury Shares	Total
BALANCE AT JANUARY 1, 2020	1,140,468	\$ 11,404,677	\$ 10,306,993	\$ 1,773,654	\$ 255,475	\$ 5,399,253	\$ 7,428,382	\$ (937,787)	\$ 907,906	\$ (110,032)	\$ 29,000,139
Appropriation of 2019 earnings											
Legal reserve	-	-	-	308,077	-	(308,077)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(154,916)	154,916	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,268,726)	(2,268,726)	-	-	-	(2,268,726)
Changes in equity of associates accounted for using the equity method	-	-	4,090	-	-	-	-	-	-	-	4,090
Net income for the year ended December 31, 2020	-	-	-	-	-	3,602,589	3,602,589	-	-	-	3,602,589
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(9,129)	(9,129)	(86,656)	265,419	-	169,634
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	3,593,460	3,593,460	(86,656)	265,419	-	3,772,223
Share-based payments	-	-	(547)	-	-	-	-	-	-	-	(547)
Difference between consideration and carrying amount resulting from disposal of subsidiaries	-	-	-	-	-	(110)	(110)	1,541	-	-	1,431
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	7,864	7,864	-	(7,864)	-	-
BALANCE AT DECEMBER 31, 2020	1,140,468	11,404,677	10,310,536	2,081,731	100,559	6,578,580	8,760,870	(1,022,902)	1,165,461	(110,032)	30,508,610
Appropriation of 2020 earnings											
Legal reserve	-	-	-	360,122	-	(360,122)	-	-	-	-	-
Special reserve	-	-	-	-	(29,881)	29,881	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,062,779)	(3,062,779)	-	-	-	(3,062,779)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	4,750	-	-	(1,817)	(1,817)	-	-	-	2,933
Other changes in capital surplus	-	-	34	-	-	-	-	-	-	-	34
Net income for the year ended December 31, 2021	-	-	-	-	-	5,150,045	5,150,045	-	-	-	5,150,045
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(5,980)	(5,980)	(1,337,425)	3,709,976	-	2,366,571
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	5,144,065	5,144,065	(1,337,425)	3,709,976	-	7,516,616
Cancelation of treasury shares	(63)	(630)	(505)	-	-	-	-	-	-	1,135	-
Share-based payments	-	-	93,201	-	-	-	-	-	-	-	93,201
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	159,863	159,863	-	(159,863)	-	-
Treasury shares transferred to employees	-	-	(346)	-	-	-	-	-	-	108,897	108,551
BALANCE AT DECEMBER 31, 2021	<u>1,140,405</u>	<u>\$ 11,404,047</u>	<u>\$ 10,407,670</u>	<u>\$ 2,441,853</u>	<u>\$ 70,678</u>	<u>\$ 8,487,671</u>	<u>\$ 11,000,202</u>	<u>\$ (2,360,327)</u>	<u>\$ 4,715,574</u>	<u>\$ -</u>	<u>\$ 35,167,166</u>

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,298,988	\$ 3,804,501
Adjustments for		
Depreciation expenses	255,378	246,417
Amortization expenses	51,387	50,658
Expected credit loss recognized on accounts receivable	9,769	18,058
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	1,068	53,381
Interest expenses	61,290	53,297
Interest income	(1,303)	(7,015)
Dividend income	(193,790)	(85,417)
Compensation costs of share-based payments	26,961	(547)
Share of profit of subsidiaries and associates accounted for using the equity method	(4,190,633)	(2,823,170)
Net loss (gain) on disposal of property, plant and equipment	(3,081)	80,477
Net loss (gain) on disposal of investments	(547)	2,349
Write-downs of inventories	8,975	43,411
Net unrealized gain on foreign currency exchange	(44,811)	(29,160)
Gain on lease modifications	(2)	-
Royalty income	(239,356)	(248,072)
Changes in operating assets and liabilities		
Accounts receivable	(1,152,985)	354,254
Accounts receivable from related parties	(2,255,634)	(986,127)
Inventories	(1,652,832)	(67,499)
Prepayments	(15,561)	(7,517)
Other current assets	6,528	618
Contract liabilities	2,520,034	370,192
Notes and accounts payable	1,240,845	381,158
Accounts payable to related parties	4,023,575	251,510
Other payables	220,604	45,802
Receipts in advance	189,077	64,872
Other current liabilities	(21,629)	41,052
Net defined benefit liabilities	(5,156)	(2,121)
Cash generated from operations	4,137,159	1,605,362
Income tax paid	(227,401)	(31,724)
Net cash generated from operating activities	<u>3,909,758</u>	<u>1,573,638</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(1,884,252)	(299,550)
Proceeds from disposal of financial assets at fair value through other comprehensive income	20,354	-
Acquisition of financial assets at amortized cost	(34,665)	(34,585)

(Continued)

E INK HOLDINGS INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Proceeds from disposal of financial assets at amortized cost	\$ 34,585	\$ 34,666
Acquisition of financial assets at fair value through profit or loss	(10,497)	-
Proceeds from sale of financial assets at fair value through profit or loss	16,170	-
Acquisition of subsidiaries	-	(285,245)
Acquisition of property, plant and equipment	(1,112,370)	(263,621)
Proceeds from disposal of property, plant and equipment	3,124	11,571
Decrease in refundable deposits	46,450	-
Increase in other receivables from related parties	(8,993)	(1,326)
Acquisition of other intangible assets	(14,638)	(33,319)
Increase in other non-current assets	-	(59)
Interest received	1,281	7,151
Dividends received	<u>979,942</u>	<u>85,417</u>
Net cash used in investing activities	<u>(1,963,509)</u>	<u>(778,900)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	907,900
Decrease in short-term borrowings	(1,635,350)	-
Increase in short-term bills payable	3,599,942	319,737
Increase in long-term borrowings	784,340	63,000
Repayment of the principal portion of lease liabilities	(23,443)	(20,927)
Increase (decrease) in other non-current liabilities	1	(390)
Cash dividends	(3,062,779)	(2,268,726)
Proceeds from treasury shares transferred to employees	108,551	-
Interest paid	(61,986)	(51,820)
Return of overdue uncollected dividends	<u>34</u>	<u>-</u>
Net cash used in financing activities	<u>(290,690)</u>	<u>(1,051,226)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,655,559	(256,488)
CASH AT THE BEGINNING OF THE YEAR	<u>764,953</u>	<u>1,021,441</u>
CASH AT THE END OF THE YEAR	<u>\$ 2,420,512</u>	<u>\$ 764,953</u>

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

(Concluded)

E INK HOLDINGS INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

E Ink Holdings Inc. (the “Company”) was incorporated in June 1992 in the Hsinchu Science Park. The Company’s shares have been listed on the Taipei Exchange (TPEX) Mainboard since March 30, 2004. The Company mainly researches, develops, manufactures and sells electronic paper display panels.

The financial statements of the Company are presented in New Taiwan dollars, the functional currency of the Company.

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 11, 2022.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively referred to as the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

<u>New, Amended or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17- Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022

1) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the financial statements were authorized, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net income for the year, other comprehensive income (loss) for the year and total equity in its financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit (loss) of subsidiaries and associates accounted for using the equity method, and the share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method in these financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the standalone financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries in other countries that use currencies that are different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, finished goods, semi-finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the subsidiary. The Company also recognizes the changes in the Company's share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss for the year.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in subsequent years.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized in profit or loss for the year. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income or loss in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full in the financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the associate. The Company also recognizes the changes in the Company's share of the equity of associates attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss for the year.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in equity of associates accounted for using the equity method and investments accounted for using the equity method. If the Company's ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate is recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual value, and amortization methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (net of amortization or depreciation) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any dividends, interest earned and gains or losses on remeasurement recognized in non-operating income and expenses. Fair value is determined in the manner described in Note 24.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable and other receivables are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income or loss and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime Expected Credit Loss (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that a financial asset is in default (without taking into account any collateral held by the Company) when internal or external information shows that the debtor is unlikely to pay its creditors.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income or loss is transferred directly to retained earnings, without reclassifying to profit or loss.

2) Equity instruments

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are carried at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments, including foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, and their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

l. Provisions

Provisions (included in other current liabilities) are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

m. Revenue recognition

The Company identifies the contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Revenue from sale of goods

Sales of products are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods. Revenue and accounts receivable are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Licensing revenue

If the patented technology licensed by the Company can remain functional without any updates or technical support and the Company is not obliged to undertake activities that will change the functionality of the licensed patented technology, the licensed patented technology has significant stand-alone functionality and the Company recognizes revenue at the point in time at which the license of patented technology transfers. If the Company is obliged to undertake activities that will change the functionality of the licensed patented technology, the licensed patented technology does not have significant stand-alone functionality and the Company recognizes revenue on a straight-line basis over the life of the agreements. Royalty agreements that are based on sales are recognized by reference to the underlying agreements. Royalties receivable that the Company does not have a present right to payment of the royalties is recorded as contract assets and reclassified to accounts receivable after the Company fulfills the remainder of the performance obligation. Proceeds of royalties received but which have not met the conditions of revenue recognition are recorded as contract liabilities, current and non-current, respectively, based on the remaining contract periods.

n. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

o. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than stated above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the year they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the year in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year.

q. Share-based payment arrangements

The fair value at the grant date of share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of treasury shares transferred to employees is the date on which the board of directors approves the transaction.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income.

1) Current tax

According to the Income Tax Law in the ROC, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting year and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimations and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimations are recognized in the period in which the estimations are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Impairment of Investments Accounted for Using the Equity Method

The Company immediately recognizes impairment loss on its investments accounted for using the equity method when there is any indication that an investment may be impaired and the carrying amount may not be recoverable. The Company's management evaluates such impairment based on the estimated future cash flows expected to be generated from the investments accounted for using the equity method. The Company also takes into consideration the market conditions and industry developments when evaluating the appropriateness of the relevant assumptions.

6. CASH

	December 31	
	2021	2020
Cash on hand	\$ 183	\$ 183
Checking accounts and demand deposits	<u>2,420,329</u>	<u>764,770</u>
	<u>\$ 2,420,512</u>	<u>\$ 764,953</u>

The market rate intervals of demand deposits at the end of the reporting years were as follows:

	<u>December 31</u>	
	2021	2020
Demand deposits	0.01%-0.2%	0.01%-0.2%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
<u>Financial assets - current (included in other current assets)</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 710</u>	<u>\$ 6,904</u>

At the end of the reporting period, the outstanding foreign exchange forward contract not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	USD/NTD	2022.02	USD6,000/NTD166,080
<u>December 31, 2020</u>			
Sell	USD/NTD	2021.01-2021.03	USD40,750/NTD1,160,560

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2021	2020
<u>Investments in equity instruments - non-current</u>		
Domestic investments		
Listed shares and emerging market shares	<u>\$ 4,769,739</u>	<u>\$ 1,648,432</u>

The Company holds the above investments in equity instruments for long-term strategic purposes and expects to gain profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2021	2020
Accounts receivable	\$ 1,800,681	\$ 653,252
Less: Loss allowance	<u>(802)</u>	<u>(890)</u>
	<u>1,799,879</u>	<u>652,362</u>
Accounts receivable from related parties (Note 25)	5,957,472	3,658,949
Less: Loss allowance	<u>(17,177)</u>	<u>(17,673)</u>
	<u>5,940,295</u>	<u>3,641,276</u>
	<u>\$ 7,740,174</u>	<u>\$ 4,293,638</u>

The Company recognizes impairment loss when there is actual credit loss from individual client. In addition, the Company recognizes impairment loss based on the rate of expected credit loss by reference to past default experience of the debtor, an analysis of the debtor's current financial position, general economic conditions of the industry in which the debtors operate and past due status.

The following table detailed the loss allowance for accounts receivable:

December 31, 2021

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	74%	
Gross carrying amount	\$ 7,639,267	\$ 94,701	\$ 24,185	\$ 7,758,153
Loss allowance	<u>-</u>	<u>-</u>	<u>(17,979)</u>	<u>(17,979)</u>
Amortized cost	<u>\$ 7,639,267</u>	<u>\$ 94,701</u>	<u>\$ 6,206</u>	<u>\$ 7,740,174</u>

December 31, 2020

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	97%	
Gross carrying amount	\$ 3,642,690	\$ 650,296	\$ 19,215	\$ 4,312,201
Loss allowance	<u>-</u>	<u>-</u>	<u>(18,563)</u>	<u>(18,563)</u>
Amortized cost	<u>\$ 3,642,690</u>	<u>\$ 650,296</u>	<u>\$ 652</u>	<u>\$ 4,293,638</u>

The movements of the loss allowance were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 18,563	\$ 890
Add: Expected credit losses recognized	-	18,058
Foreign exchange translation gains and losses	<u>(584)</u>	<u>(385)</u>
Balance at December 31	<u>\$ 17,979</u>	<u>\$ 18,563</u>

Accounts receivable of the Company were mainly concentrated in customers A, B, C and D. The accounts receivable from the foregoing customers, as of December 31, 2021 and 2020, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
Customer A	\$ 660,752	\$ 73,961
Customer B	472,701	185,060
Customer C	234,796	104,806
Customer D	<u>189,400</u>	<u>177,781</u>
	<u>\$ 1,557,649</u>	<u>\$ 541,608</u>

10. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 865,068	\$ 659,958
Semi-finished goods	339,634	276,252
Work in progress	251,775	105,110
Raw materials	<u>1,875,124</u>	<u>646,424</u>
	<u>\$ 3,331,601</u>	<u>\$ 1,687,744</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 included write-downs of inventories of \$8,975 thousand and \$43,411 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 34,982,640	\$ 30,361,090
Investments in associates	<u>1,093</u>	<u>1,888</u>
	<u>\$ 34,983,733</u>	<u>\$ 30,362,978</u>

a. Investment in subsidiaries

	December 31	
	2021	2020
Unlisted companies		
PVI Global Limited (originally named PVI Global Corp.)	\$ 16,233,100	\$ 15,387,931
YuanHan Materials Inc.	8,642,719	5,446,007
New Field e-Paper Co., Ltd.	5,497,393	5,112,044
E Ink Corporation	4,239,021	4,036,496
Dream Universe Ltd.	349,001	359,170
E Ink Japan Inc.	16,492	14,896
Tech Smart Logistics Ltd.	3,708	3,602
Linfiny Corporation	1,206	944
Prime View Communications Ltd. (Note)	-	-
Hot Tracks International Ltd.	<u>-</u>	<u>-</u>
	<u>\$ 34,982,640</u>	<u>\$ 30,361,090</u>

Note: As of December 31, 2021 and 2020, the investment in Prime View Communications Ltd. was recorded as other non-current liabilities due to the credit balance of \$33,896 thousand and \$3,859 thousand, respectively.

Name of subsidiary	Proportion of Ownership and Voting Rights	
	2021	2020
PVI Global Limited (originally named PVI Global Corp.) (Notes 3, 6 and 7)	100.00%	100.00%
YuanHan Materials Inc.	100.00%	100.00%
New Field e-Paper Co., Ltd.	100.00%	100.00%
E Ink Corporation (Notes 1 and 6)	45.31%	45.31%
Dream Universe Ltd.	100.00%	100.00%
E Ink Japan Inc. (Note 4)	100.00%	100.00%
Tech Smart Logistics Ltd. (Note 1)	0.09%	0.09%
Linfiny Corporation (Note 2)	4.00%	4.00%
Prime View Communications Ltd.	100.00%	100.00%
Hot Tracks International Ltd. (Note 5)	-	-

Refer to Note 30 for the details of investment in subsidiaries indirectly held by the Company.

Note 1: Although each of the Company's equity interests in E Ink Corporation and Tech Smart Logistics Ltd. did not exceed 50%, respectively, the combined equity interests of the Company and its subsidiaries in the above companies were 100%. Therefore, E Ink Corporation and Tech Smart Logistics Ltd. are subsidiaries of the Company.

Note 2: To adjust the investment structure, the Company purchased 4% ownership of Linfiny Corporation from YuanHan Material Inc. in October 2019 by \$4,340 thousand. The combined equity interests of the Company and its subsidiaries in Linfiny Corporation exceeded 50%; therefore, it is a subsidiary of the Company.

Note 3: The board of directors of the PVI Global Limited's subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., approved in March 2020 for an investment plan for the next three to five years. The content of the investment plan included the construction of R&D buildings, capacity expansion and fundamental operating expenses, with expected investment amount from US\$50,000 thousand to US\$55,000 thousand. The source of funds is from the parent company's capital increase via cash and the subsidiary's proprietary funds. In January 2020 and June 2021, the Company invested US\$9,000 thousand in cash in its subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., through PVI Global Limited and PVI International Corp.

Note 4: To adjust the investment structure, the Company purchased 100% ownership of E Ink Japan Inc. from E Ink Corporation in September 2020.

Note 5: Hot Tracks International Ltd. has completed its liquidation process in October 2020.

Note 6: To improve the Company's strategic development and arrange long-term operating strategy, the Company's board of directors approved in November 2021 an adjustment to the organizational structure. The Company planned to transfer all its shares of E Ink Corporation to Dream Pacific International Corp, and to migrate PVI Global Limited and Dream Pacific International Corp to the Netherlands.

Note 7: Dream Pacific International Limited and PVI Global Limited were renamed, which were approved by the Company's board of directors on November 5, 2021.

These subsidiaries are included in the consolidated financial statements of the Company as of December 31, 2021 and 2020.

b. Investments in associates

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Associates that are not individually material	<u>\$ 1,093</u>	<u>\$ 1,888</u>
<u>Aggregate information of associates that are not individually material</u>		
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
The Company's share of		
Net loss for the year	\$ (1,013)	\$ (4,709)
Other comprehensive loss	<u>(211)</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (1,224)</u>	<u>\$ (4,709)</u>

In July 2020, the Company acquired 2.66% ownership of Plastic Logic HK Limited, which increased the combined shareholding percentage to more than 20%. The investment was accounted for using the equity method since the Company had significant influence over Plastic Logic HK Limited.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments except for some associates, the other were based on the audited financial statements of subsidiaries and associates for the corresponding year.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 1,989,194	\$ 5,154,746	\$ 1,290,469	\$ 149,400	\$ 8,583,809
Additions	5,481	19,984	72,045	205,874	303,384
Disposals	(246,055)	(607,589)	(93,478)	-	(947,122)
Reclassifications	<u>29,149</u>	<u>73,476</u>	<u>81,542</u>	<u>(191,162)</u>	<u>(6,995)</u>
Balance at December 31, 2020	<u>\$ 1,777,769</u>	<u>\$ 4,640,617</u>	<u>\$ 1,350,578</u>	<u>\$ 164,112</u>	<u>\$ 7,933,076</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2020	\$ 1,287,261	\$ 4,967,718	\$ 998,478	\$ -	\$ 7,253,457
Depreciation expenses	40,192	70,721	108,866	-	219,779
Disposals	<u>(166,327)</u>	<u>(595,447)</u>	<u>(93,300)</u>	<u>-</u>	<u>(855,074)</u>
Balance at December 31, 2020	<u>\$ 1,161,126</u>	<u>\$ 4,442,992</u>	<u>\$ 1,014,044</u>	<u>\$ -</u>	<u>\$ 6,618,162</u>
Carrying amount at December 31, 2020	<u>\$ 616,643</u>	<u>\$ 197,625</u>	<u>\$ 336,534</u>	<u>\$ 164,112</u>	<u>\$ 1,314,914</u>

(Continued)

	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 1,777,769	\$ 4,640,617	\$ 1,350,578	\$ 164,112	\$ 7,933,076
Additions	1,515	34,777	18,805	1,099,321	1,154,418
Disposals	(300,654)	(786,924)	(69,735)	-	(1,157,313)
Reclassifications	4,520	109,979	280,141	(401,436)	(6,796)
Balance at December 31, 2021	<u>\$ 1,483,150</u>	<u>\$ 3,998,449</u>	<u>\$ 1,579,789</u>	<u>\$ 861,997</u>	<u>\$ 7,923,385</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ 1,161,126	\$ 4,442,992	\$ 1,014,044	\$ -	\$ 6,618,162
Depreciation expenses	39,613	54,764	132,134	-	226,511
Disposals	(300,653)	(786,881)	(69,736)	-	(1,157,270)
Balance at December 31, 2021	<u>\$ 900,086</u>	<u>\$ 3,710,875</u>	<u>\$ 1,076,442</u>	<u>\$ -</u>	<u>\$ 5,687,403</u>
Carrying amount at December 31, 2021	<u>\$ 583,064</u>	<u>\$ 287,574</u>	<u>\$ 503,347</u>	<u>\$ 861,997</u>	<u>\$ 2,235,982</u>

(Concluded)

Information about the capitalized interest is as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest	<u>\$ 4,737</u>	<u>\$ 1,274</u>
Capitalization rate intervals	0.77-0.85%	0.83-0.98%

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	33-56 years
Clean rooms and plumbing construction	25-30 years
Others	2-14 years
Machinery	1-11 years
Other equipment	1-26 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 793,115	\$ 813,458
Other equipment	<u>4,650</u>	<u>1,809</u>
	<u>\$ 797,765</u>	<u>\$ 815,267</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 11,531</u>	<u>\$ 1,320</u>
Depreciation of right-of-use assets		
Land	\$ 26,624	\$ 24,880
Other equipment	<u>2,243</u>	<u>1,758</u>
	<u>\$ 28,867</u>	<u>\$ 26,638</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current (included in other current liabilities)	<u>\$ 26,462</u>	<u>\$ 20,731</u>
Non-current	<u>\$ 787,622</u>	<u>\$ 805,440</u>

Discount rate intervals for lease liabilities are as follows:

	December 31	
	2021	2020
Land	0.56-1.56%	1.56%
Other equipment	0.60-0.61%	0.61-0.86%

c. Material lease-in activities and terms

The Company leased certain land in the Hsinchu Science Park from the Hsinchu Science Park Bureau of the Ministry of Science and Technology from July 1, 2014 to December 31, 2033. The rental amount is calculated on the basis of the mutual agreement. The lessor may adjust the rent at any time on the basis of changes in announced land values and related laws and regulations. At the end of the lease terms, the Company has renewal options if the Company does not violate the lease agreements during the rental period.

The Company also leased land which is located at Taoyuan for the use of plants and offices, with the lease term of 20 years, and the lease payments will be adjusted every year on the basis of changes in announced land values, with the adjusted limitation of 3% and renewal options at the end of the lease term.

The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, without the lessors' consent, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets, changing their use, or using illegally.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 5,864</u>	<u>\$ 6,416</u>
Total cash outflow for leases	<u>\$ 42,030</u>	<u>\$ 40,344</u>

The Company leases other equipment which qualifies as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured borrowings	\$ 1,840,200	\$ 3,449,400
Secured borrowings (Note 30)	<u>370,000</u>	<u>400,000</u>
	<u>\$ 2,210,200</u>	<u>\$ 3,849,400</u>
Foreign currency included USD (in thousands)	<u>\$ 15,000</u>	<u>\$ 30,000</u>
Interest rate intervals	0.69%-0.96%	0.80%-0.94%

Refer to Table 2 for secured borrowings endorsed and guaranteed by the subsidiaries Hydix Technologies Co., Ltd. for the Company.

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	\$ 4,300,000	\$ 700,000
Less: Discounts on bills payable	<u>(402)</u>	<u>(344)</u>
	<u>\$ 4,299,598</u>	<u>\$ 699,656</u>
Interest rate intervals	0.38-0.66%	0.31-0.65%

As of December 31, 2021, commercial papers include a syndicated loan agreement with syndicate of banks, and the total is \$3,400,000 thousand, refer to c. long-term borrowings.

c. Long-term borrowings

	December 31	
	2021	2020
Syndicated loans	\$ 459,340	\$ -
Unsecured borrowings	<u>388,000</u>	<u>63,000</u>
	<u>\$ 847,340</u>	<u>\$ 63,000</u>
Interest rate intervals	<u>0.65%-1.00%</u>	<u>0.65%-0.80%</u>

Long-term unsecured borrowings will expire in December 2026, and interests are repaid on a monthly basis.

To enrich medium-term working capital, the Company entered into a syndicated loan agreement with syndicate of seven banks led by Mega International Commercial Bank Co., Ltd. on December 15, 2020, and the total credit facility is \$6,800,000 thousand (including commercial promissory note, total is \$5,440,000 thousand). The duration period is within 5 years from the first drawdown date (August 2021). As of December 31, 2021, long-term borrowings of US\$17,000 thousand and commercial paper of \$3,400,000 thousand had been used.

The Company promises that during the credit period, its semi-annual reviewed current ratio shall not be less than 100%, debt ratio shall not exceed 200%, interest coverage ratio shall not be less than 5 times, and tangible net worth shall not be less than \$15,000,000 thousand. The Company should meet certain financial ratios based on its audited consolidated annual financial statements and reviewed consolidated financial statements for the six months ended June 30, 2021.

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 159,847	\$ 153,141
Fair value of plan assets	<u>(69,811)</u>	<u>(67,827)</u>
Net defined benefit liabilities	<u>\$ 90,036</u>	<u>\$ 85,314</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	\$ 142,734	\$ (65,793)	\$ 76,941
Current service cost	1,095	-	1,095
Net interest expense (income)	<u>1,071</u>	<u>(510)</u>	<u>561</u>
Recognized in profit or loss	<u>2,166</u>	<u>(510)</u>	<u>1,656</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,222)	(2,222)
Actuarial (gain) loss			
Changes in demographic assumptions	5,307	-	5,307
Changes in financial assumptions	4,187	-	4,187
Experience adjustments	<u>3,222</u>	<u>-</u>	<u>3,222</u>
Recognized in other comprehensive income (loss)	<u>12,716</u>	<u>(2,222)</u>	<u>10,494</u>
Contributions from the employer	-	(3,777)	(3,777)
Benefits paid	<u>(4,475)</u>	<u>4,475</u>	<u>-</u>
Balance at December 31, 2020	<u>153,141</u>	<u>(67,827)</u>	<u>85,314</u>
Service cost			
Current service cost	1,672	-	1,672
Past service cost	157	-	157
Net interest expense (income)	<u>766</u>	<u>(348)</u>	<u>418</u>
Recognized in profit or loss	<u>2,595</u>	<u>(348)</u>	<u>2,247</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(862)	(862)
Actuarial (gain) loss			
Changes in demographic assumptions	7,082	-	7,082
Changes in financial assumptions	-	-	-
Experience adjustments	<u>3,658</u>	<u>-</u>	<u>3,658</u>
Recognized in other comprehensive income (loss)	<u>10,740</u>	<u>(862)</u>	<u>9,878</u>
Contributions from the employer	-	(7,403)	(7,403)
Benefits paid	<u>(6,629)</u>	<u>6,629</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 159,847</u>	<u>\$ (69,811)</u>	<u>\$ 90,036</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	2021	2020
Discount rates	0.50%	0.50%
Expected rates of salary increase	2.75%	2.75%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	2021	2020
Discount rates		
0.25% increase	<u>\$ (4,348)</u>	<u>\$ (4,349)</u>
0.25% decrease	<u>\$ 4,528</u>	<u>\$ 4,530</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 4,355</u>	<u>\$ 4,354</u>
0.25% decrease	<u>\$ (4,206)</u>	<u>\$ (4,204)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 8,092</u>	<u>\$ 3,718</u>
Average duration of the defined benefit obligation	11.9 years	11.8 years

16. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	<u>2,000,000</u>	<u>2,000,000</u>
Amount of shares authorized	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,140,405</u>	<u>1,140,468</u>
Amount of shares issued	<u>\$ 11,404,047</u>	<u>\$ 11,404,677</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
May be used to offset a deficit, distributed as <u>cash dividends or transferred to share capital (1)</u>		
Issuance of shares	\$ 9,531,866	\$ 9,494,322
Conversion of bonds	525,200	525,200
Treasury share transactions	260,084	151,920
Expired employee share options	57,448	50,346
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in associates (2)	8,945	4,195
Unclaimed dividends extinguished by prescription	74	40
<u>May not be used for any purpose</u>		
Employee share options	<u>24,053</u>	<u>84,513</u>
	<u>\$ 10,407,670</u>	<u>\$ 10,310,536</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in associates resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of associates accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with at least 50% of any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Note 18.

The Company's Articles of Incorporation also stipulate a dividends policy that allows previous accumulated undistributed earnings to be distributed. The distribution of dividends to shareholders is allowed to be in cash or by the issuance of shares. In principle, cash dividends should be at least 10% of the total dividends distributed.

The shareholders of the Company held their regular meeting on June 18, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation. The amendments explicitly stipulate that the board of directors are authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholder's meeting.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficits and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Legal reserve	<u>\$ 360,122</u>	<u>\$ 308,077</u>
Reversal of special reserve	<u>\$ 29,881</u>	<u>\$ 154,916</u>
Cash dividends	<u>\$ 3,062,779</u>	<u>\$ 2,268,726</u>
Dividends per share (NT\$)	<u>\$ 2.7</u>	<u>\$ 2.0</u>

The appropriations of earnings for 2019 were approved in the shareholders' meeting on June 18, 2020; the above 2020 appropriation for cash dividends had been resolved by the Company's board of directors on March 16, 2021. The other proposed appropriation was resolved by the shareholders in their meeting held on July 7, 2021.

The appropriations of earnings for 2021 were proposed by the Company's board of directors on March 11, 2022. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2021
Legal reserve	<u>\$ 530,211</u>
Cash dividends	<u>\$ 3,649,295</u>
Dividends per share (NT\$)	<u>\$ 3.2</u>

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 22, 2022.

d. Special reserve

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 100,559	\$ 255,475
Reversals		
Reversal of the debits to other equity items	<u>(29,881)</u>	<u>(154,916)</u>
Balance at December 31	<u>\$ 70,678</u>	<u>\$ 100,559</u>

If a special reserve of \$70,678 thousand appropriated on the first-time adoption of IFRSs relates to the exchange differences on translating the financial statements of foreign operations, the special reserve will be reversed proportionately on the Company's disposal of the foreign operations; on the Company's loss of significant influence; however, the entire special reserve will be reversed. An additional special reserve should be appropriated for the amount equal to the difference between the net debit balance of the reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and may thereafter be distributed.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (1,022,902)	\$ (937,787)
Recognized for the year		
Share of exchange differences of subsidiaries and associates accounted for using the equity method	(1,337,425)	(86,656)
Disposal of subsidiaries	<u>-</u>	<u>1,541</u>
Balance at December 31	<u>\$ (2,360,327)</u>	<u>\$ (1,022,902)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 1,165,461	\$ 907,906
Recognized for the year		
Unrealized gain (loss) on equity instruments	1,257,409	(12,534)
Share from subsidiaries and associates accounted for using the equity method	2,452,567	277,953
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal		
The Company	(19,378)	-
Share from subsidiaries and associates accounted for using the equity method	<u>(140,485)</u>	<u>(7,864)</u>
Balance at December 31	<u>\$ 4,715,574</u>	<u>\$ 1,165,461</u>

f. Treasury shares

	For the Year Ended December 31	
	2021	2020
Number of shares (in thousands) at January 1	6,105	6,105
Transferred to employees	(6,042)	-
Cancellation of treasury shares	<u>(63)</u>	<u>-</u>
Number of shares (in thousands) at December 31	<u>-</u>	<u>6,105</u>

The board of directors of the Company resolved to repurchase 20,000 thousand shares of treasury shares on June 13, 2016, which was completed in August 2016, for the purpose of transferring to employees. Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' right on these shares, such as the rights to dividends and to vote.

In June 2021, the Company transferred 6,042 thousand shares to its employees and charged the price of employee stock warrants which were exercised. The cost of treasury shares \$108,897 thousand had been decreased. The date to deliver the shares to employees was July 2021. Under the Securities and Exchange Act, those shares not transferred before the due date are considered as unissued shares of the Company subject to processing of the registration of the changes. On August 6, 2021, the board of directors resolved to cancel 63 thousand restricted stock, and the amount of the capital reduction was \$630 thousand. The measurement date was on August 6, 2021. The capital reduction process was completed on August 20, 2021.

17. REVENUE

a. Revenue from contracts with customers

Type of Revenue/Category by Product	For the Year Ended December 31	
	2021	2020
Revenue from sale of goods (Note)		
Consumer electronics	\$ 11,858,174	\$ 10,190,474
Internet of Things applications	6,179,675	4,124,518
Others	<u>30,731</u>	<u>50,876</u>
	<u>\$ 18,068,580</u>	<u>\$ 14,365,868</u>
Royalty income	<u>\$ 239,356</u>	<u>\$ 248,072</u>

Note: The Company mainly researches, develops, and manufactures electronic paper products. With the diversification of product applications, the business decision of the Company focused on the application categories and development of electronic paper products. Therefore, to use the application category of product to disclose the type of revenue is more in line with the development strategy of the Company devoted to applications of electronic paper products and provides more relevant information.

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable (Note 9)	<u>\$ 1,799,879</u>	<u>\$ 652,362</u>	<u>\$ 985,790</u>
Accounts receivable - related party (Note 9)	<u>\$ 5,940,295</u>	<u>\$ 3,641,276</u>	<u>\$ 2,665,187</u>
Contract liabilities - current			
Royalty	\$ 80,580	\$ 89,416	\$ 89,286
Sale of goods	<u>2,539,716</u>	<u>219,602</u>	<u>61,125</u>
	<u>2,620,296</u>	<u>309,018</u>	<u>150,411</u>
Contract liabilities - non-current			
Royalty	<u>-</u>	<u>30,600</u>	<u>67,087</u>
	<u>\$ 2,620,296</u>	<u>\$ 339,618</u>	<u>\$ 217,498</u>

The changes in the balances of contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment. Revenue recognized for the year from the beginning balance of the contract liabilities is as follows:

Type of Revenue	For the Year Ended December 31	
	2021	2020
Royalty income	\$ 89,416	\$ 89,286
Revenue from sale of goods	<u>219,602</u>	<u>61,125</u>
	<u>\$ 309,018</u>	<u>\$ 150,411</u>

18. NET INCOME

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 1,165	\$ 6,842
Others	<u>138</u>	<u>173</u>
	<u>\$ 1,303</u>	<u>\$ 7,015</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 226,511	\$ 219,779
Other intangible assets	51,387	50,658
Right-of-use assets	<u>28,867</u>	<u>26,638</u>
	<u>\$ 306,765</u>	<u>\$ 297,075</u>
 An analysis of depreciation by function		
Operating costs	\$ 106,756	\$ 121,166
Operating expenses	<u>148,622</u>	<u>125,251</u>
	<u>\$ 255,378</u>	<u>\$ 246,417</u>
 An analysis of amortization by function		
Operating costs	\$ 4	\$ -
Operating expenses	<u>51,383</u>	<u>50,658</u>
	<u>\$ 51,387</u>	<u>\$ 50,658</u>

c. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2021	2020
Post-employment benefits (Note 15)		
Defined contribution plans	\$ 49,649	\$ 43,278
Defined benefit plans	<u>2,247</u>	<u>1,656</u>
	51,896	44,934
Share-based payments		
Equity-settled	26,961	(547)
Other employee benefits	<u>1,482,754</u>	<u>1,214,693</u>
Total employee benefits expense	<u>\$ 1,561,611</u>	<u>\$ 1,259,080</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 331,127	\$ 204,873
Operating expenses	<u>1,230,484</u>	<u>1,054,207</u>
	<u>\$ 1,561,611</u>	<u>\$ 1,259,080</u>

d. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at the rates of no less than 1% and no higher than 10% as well as remuneration of directors at the rates of no higher than 1%, respectively, of net income before income tax, employees' compensation and remuneration of directors, net of accumulated deficit, if any. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 11, 2022 and March 16, 2021, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Employees' compensation	<u>\$ 53,800</u>	<u>\$ 38,650</u>
Remuneration of directors	<u>\$ 25,000</u>	<u>\$ 20,000</u>

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate in the following year. There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 222,646	\$ 258,196
Income tax on unappropriated earnings	-	34,438
Adjustments for the prior years	<u>(38,043)</u>	<u>(18,278)</u>
	184,603	274,356
Deferred tax		
In respect of the current year	<u>(35,660)</u>	<u>(72,444)</u>
Income tax expense recognized in profit or loss	<u>\$ 148,943</u>	<u>\$ 201,912</u>

A reconciliation of accounting profit and income tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Income before income tax	<u>\$ 5,298,988</u>	<u>\$ 3,804,501</u>
Income tax expense calculated at the statutory rate	\$ 1,059,798	\$ 760,900
Nondeductible expenses in determining taxable income	4,106	5,713
Tax-exempt income	(876,994)	(581,716)
Income tax on unappropriated earnings	-	34,438
Unrecognized deductible temporary differences	76	855
Adjustments for the prior years	<u>(38,043)</u>	<u>(18,278)</u>
Income tax expense recognized in profit or loss	<u>\$ 148,943</u>	<u>\$ 201,912</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	\$ 1,976	\$ 2,099
Share of the other comprehensive income (loss) of subsidiaries and associates	<u>(204,061)</u>	<u>(11,022)</u>
	<u>\$ (202,085)</u>	<u>\$ (8,923)</u>

c. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax liabilities		
Income tax payable	<u>\$ 243,657</u>	<u>\$ 286,455</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities (included in other non-current liabilities) were as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventories	\$ 197,601	\$ 7,284	\$ -	\$ 204,885
Accounts receivable	36,908	(7,016)	-	29,892
Property, plant and equipment	18,357	(2,287)	-	16,070
Prepayments	17,639	-	-	17,639
Defined benefit plans	20,676	-	1,976	22,652
Deferred revenue	40,413	37,852	-	78,265
Others	<u>22,191</u>	<u>4,566</u>	<u>-</u>	<u>26,757</u>
	<u>\$ 353,785</u>	<u>\$ 40,399</u>	<u>\$ 1,976</u>	<u>\$ 396,160</u>

Deferred tax liabilities

Temporary differences				
Other	<u>\$ 4,183</u>	<u>\$ 4,739</u>	<u>\$ -</u>	<u>\$ 8,922</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventories	\$ 169,090	\$ 28,511	\$ -	\$ 197,601
Accounts receivable	10,477	26,431	-	36,908
Property, plant and equipment	23,221	(4,864)	-	18,357
Prepayments	17,639	-	-	17,639
Defined benefit plans	18,577	-	2,099	20,676
Deferred revenue	23,351	17,062	-	40,413
Others	<u>13,228</u>	<u>8,963</u>	<u>-</u>	<u>22,191</u>
	<u>\$ 275,583</u>	<u>\$ 76,103</u>	<u>\$ 2,099</u>	<u>\$ 353,785</u>

Deferred tax liabilities

Temporary differences				
Other	<u>\$ 524</u>	<u>\$ 3,659</u>	<u>\$ -</u>	<u>\$ 4,183</u>

- e. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$14,784,537 thousand and \$13,663,229 thousand, respectively.

- f. Income tax assessments

The income tax returns of the Company through 2019 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share (NT\$)	<u>\$ 4.53</u>	<u>\$ 3.18</u>
Diluted earnings per share (NT\$)	<u>\$ 4.52</u>	<u>\$ 3.17</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

	For the Year Ended December 31	
	2021	2020
Net income for the year	<u>\$ 5,150,045</u>	<u>\$ 3,602,589</u>

Number of Shares

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares (in thousands) used in the computation of basic earnings per share	1,137,384	1,134,363
Effect of potentially dilutive ordinary shares (in thousands)		
Employees' compensation	507	1,149
Share-based payment arrangements	<u>2,387</u>	<u>2,464</u>
Weighted average number of ordinary shares (in thousands) used in the computation of diluted earnings per share	<u>1,140,278</u>	<u>1,137,976</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. SHARE-BASED PAYMENT ARRANGEMENTS

a. Treasury shares transferred to employees

The board of directors resolved on May 7, 2021 and August 14, 2018 to transfer treasury shares of 1,431 thousand shares and 5,885 thousand shares, respectively, to qualified employees of the Company and its subsidiaries. In compliance with the Company's Regulations Governing Share Repurchase and Transfer to Employees, the transfer price for each arrangement is the average of the actual acquisition price of the treasury shares.

Information about treasury shares transferred to employees is as follows:

For the year ended December 31, 2021

Grant Date	Transferable Shares in Thousands	Shares in Thousands Transferred for the Year	Accumulated Shares in Thousands Transferred	Expired Shares in Thousands	Shares in Thousands at December 31
May 7, 2021	<u>1,431</u>	<u>1,368</u>	<u>1,368</u>	<u>63</u>	<u>-</u>
August 14, 2018	<u>5,885</u>	<u>4,674</u>	<u>4,714</u>	<u>1,171</u>	<u>-</u>

For the year ended December 31, 2020

Grant Date	Transferable Shares in Thousands	Shares in Thousands Transferred for the Year	Accumulated Shares in Thousands Transferred	Expired Shares in Thousands	Shares in Thousands at December 31
August 14, 2018	<u>5,885</u>	<u>-</u>	<u>40</u>	<u>549</u>	<u>5,296</u>

Treasury shares transferred to employees in 2021 and 2018 were priced using a Black-Scholes pricing model. Compensation cost recognized was \$12,533 thousand for the year ended December 31, 2021. Compensation cost was \$547 thousand for the year ended December 31, 2020, and the same amount of capital surplus - employee share options was reversed in both years. The inputs to the models were as follows:

	May 2021	August 2018
Grant date share price (NT\$)	\$61.40	\$36.85
Exercise price (NT\$)	\$18.02	\$18.02
Expected volatility	40.30%	53.23%
Expected life	0-1 year	0-1 year
Expected dividend yield	3.77%	2.46%
Risk-free interest rate	0.76%	0.91%
Weighted-average fair value of options granted (NT\$)	\$42.90	\$18.80

b. Employee share options plan

To attract and retain the professional talents needed by the Company, improve the employees' cohesion and sense of belonging to the Company, and jointly create the interests of the Company and shareholders, the board of directors of the Company resolved to issue 10,000 units of employee share options in May 2021 and December 2020, totaling 20,000 units. Each option entitles the holder to subscribe to 1,000 ordinary shares. The eligible participants in share options are the full-time employees of the Company and subsidiaries. The duration of the share options is 6 years that will expire on August 10, 2027.

Information about employee share options issued was as follows:

Share Options Grant Period	Percentage Exercisable (%) (Cumulative)
Over 2 years	40
Over 3 years	70
Over 4 years	100

Employee Share Options	For the Year Ended December 31, 2021	
	Unit	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	20,000	69-77.2
Options forfeited	<u>(105)</u>	
Balance at December 31	<u>19,895</u>	

The inputs to the models were as follows:

	August 2021	October 2021
Grant date share price (NT\$)	\$77.2	\$69
Exercise price (NT\$)	\$77.2	\$69
Expected volatility	40.50-43.77%	40.28-42.73%
Expected life	2-4 years	2-4 years
Expected dividend yield	3.77%	3.77%
Risk-free interest rate	0.760-0.765%	0.760-0.765%
Weighted-average fair value of options granted (NT\$)	\$14.7-19.8	\$13.2-17.2

Compensation costs recognized was \$14,428 thousand for the year ended December 31, 2021.

22. NON-CASH TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Company entered into the following non-cash investing activities:

	For the Year Ended December 31	
	2021	2020
Acquisition of property, plant and equipment		
Increase in property, plant and equipment	\$ 1,154,418	\$ 303,384
Increase (decrease) in payables for construction and equipment (included in other payables)	<u>(42,048)</u>	<u>(39,763)</u>
Net cash paid	<u>\$ 1,112,370</u>	<u>\$ 263,621</u>

23. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged in the future.

The Company's risk management committee reviews the capital structure on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on the committee's recommendations, the Company expects to balance its capital structure through the payment of dividends, the issue of new shares and private ordinary shares or the payment of old debt.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets				
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 710</u>	\$ <u> -</u>	\$ <u> 710</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ <u>4,769,739</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u>4,769,739</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets				
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 6,904</u>	\$ <u> -</u>	\$ <u> 6,904</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ <u>1,648,432</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u>1,648,432</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ -	\$ 60,285
Recognized in profit or loss	<u>-</u>	<u>(60,285)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

3) Valuation techniques and inputs used for Level 2 fair value measurement

Derivatives - foreign exchange forward contracts were evaluated by the discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates and contracted exchange rates at the end of the reporting period, discounted at a rate that reflects the credit risk of each counterparty.

b. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
FVTPL	\$ 710	\$ 6,904
Amortized cost (Note 1)	10,215,477	5,120,168
Equity instruments at FVTOCI	4,769,739	1,648,432
<u>Financial liabilities</u>		
Amortized cost (Note 2)	17,602,773	9,335,766

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, accounts receivable (including related parties) and other receivables (including related parties) (included in other current assets).

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables (including related parties) and long-term borrowings.

c. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, accounts receivable, notes and accounts payable, borrowings and lease liabilities. The Company's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency risk, interest rate risk and other price risk.

There have been no changes to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company had foreign-currency-denominated sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy by utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign-currency-denominated monetary assets and monetary liabilities at the end of the reporting years are set out in Note 29.

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar (USD).

The following details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (NTD) against USD. The sensitivity analysis included only outstanding foreign-currency-denominated monetary items and adjusts their translation at the end of the year for a 1% change in foreign currency rates. For a 1% strengthening of NTD against USD, pre-tax income for the years ended December 31, 2021 and 2020 would increase by \$4,025 thousand and \$1,810 thousand, respectively. For a 1% weakening of NTD against USD, there would be an equal and opposite impact on pre-tax income.

b) Interest rate risk

The carrying amount of the Company's financial assets, financial liabilities and lease liabilities with exposure to interest rates at the end of the reporting years were as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Fair value interest rate risk		
Financial assets	<u>\$ 34,665</u>	<u>\$ 34,585</u>
Financial liabilities	<u>\$ 7,357,138</u>	<u>\$ 4,612,056</u>
Lease liabilities	<u>\$ 814,084</u>	<u>\$ 826,171</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 2,420,329</u>	<u>\$ 764,770</u>

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting years. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting years was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The effective interest rates of floating rate financial assets will change when the market rates change, which will result in fluctuations in future cash flows.

If interest rates had been 50 basis points higher, the Company's pre-tax cash inflows for the years ended December 31, 2021 and 2020 would increase \$12,102 thousand and \$3,824 thousand, respectively, which was attributable to the Company's floating rate on its financial assets and if interest rates had been 50 basis points lower, there would be an equal and opposite impact on pre-tax cash flows.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes, and the Company does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to price risk of equity securities at the end of the reporting years.

If the price in equity securities had been 5% higher/lower, the other comprehensive income or loss before income tax for the years ended December 31, 2021 and 2020 would have increased/decreased by \$238,487 thousand and \$82,422 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

Changes in the Company's sensitivity to investments in equity securities mainly resulted from the increased investment in equity securities.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting years, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantees issued by the Company.

The Company adopted a policy of only dealing with creditworthy counterparties, evaluated potential customers through an internal credit rating system and set the credit limit of customers to grasp the credit status of the counterparties and effectively control the credit exposure.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Company's unutilized bank borrowing facilities were \$9,724,348 thousand and \$11,930,710 thousand, respectively.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay, including principal and estimated interest. Therefore, bank borrowings with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 3,249	\$ 6,498	\$ 29,130	\$ 131,165	\$ 858,675
Fixed interest rate liabilities	<u>5,832,398</u>	<u>691,030</u>	<u>5,669</u>	<u>862,407</u>	<u>-</u>
	<u>\$ 5,835,647</u>	<u>\$ 697,528</u>	<u>\$ 34,799</u>	<u>\$ 993,572</u>	<u>\$ 858,675</u>

Additional information about the maturity analysis for lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 38,877</u>	<u>\$ 131,165</u>	<u>\$ 160,808</u>	<u>\$ 160,808</u>	<u>\$ 160,808</u>	<u>\$ 376,251</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 2,827	\$ 5,655	\$ 24,942	\$ 129,194	\$ 890,836
Fixed interest rate liabilities	<u>2,617,174</u>	<u>1,940,784</u>	<u>353</u>	<u>64,671</u>	<u>-</u>
	<u>\$ 2,620,001</u>	<u>\$ 1,946,439</u>	<u>\$ 25,295</u>	<u>\$ 193,865</u>	<u>\$ 890,836</u>

Additional information about the maturity analysis for lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 33,424</u>	<u>\$ 129,194</u>	<u>\$ 160,808</u>	<u>\$ 160,808</u>	<u>\$ 160,808</u>	<u>\$ 408,412</u>

25. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related party Category
YuanHan Materials Inc.	Subsidiary
New Field e-Paper Co., Ltd.	Subsidiary
Linfiny Corporation	Subsidiary
Rich Optronics (Yangzhou) Co., Ltd.	Subsidiary
Transyork Technology Yangzhou Ltd.	Subsidiary
Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary
PVI International Corp.	Subsidiary
Prime View Communications Ltd.	Subsidiary
Hydis Technologies Co., Ltd.	Subsidiary
E Ink Japan Inc.	Subsidiary
E Ink Corporation	Subsidiary
E Ink California, LLC	Subsidiary
Johnson Lee	Key management personnel
S.C. Ho	Key management personnel
YFY Inc.	Investor with significant influence over the Company
Liverbricks Inc.	Subsidiary of investor with significant influence over the Company
YFY Corporate Advisory & Services Co., Ltd.	Subsidiary of investor with significant influence over the Company
Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Company
YFY Packaging Inc.	Subsidiary of investor with significant influence over the Company
Chung Hwa Pulp Corporation	Subsidiary of investor with significant influence over the Company
Fidelis IT Solutions Co., Ltd.	Subsidiary of investor with significant influence over the Company
YFY Development Corp.	Subsidiary of investor with significant influence over the Company
Arizon RFID Technology (Hong Kong) Co., Ltd.	Subsidiary of investor with significant influence over the Company
Sustainable Carbohydrate Innovation Co., Ltd.	Subsidiary of investor with significant influence over the Company
TGKW Management Limited	Substantive related party
Hsin Yi Enterprise Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
Foongtone Technology Co., Ltd.	Substantive related party
Shen's Art Printing Co., Ltd.	Substantive related party
SinoPac Securities Corp.	Substantive related party
Plastic Logic HK Limited	Associate
PL Germany GmbH	Associate
NTX Electronics Yangzhou Co., Ltd.	Associate
Yuen Foong Yu Biotech Co., Ltd.	Associate
Nuclera Nucleics Corporation	Associate

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Prime View Communications Ltd.	\$ 3,992,846	\$ 3,272,851
YuanHan Materials Inc.	1,944,678	1,193,439
Others	<u>35,995</u>	<u>423,628</u>
	5,973,519	4,889,918
Associate	<u>25,872</u>	<u>20,625</u>
	<u>\$ 5,999,391</u>	<u>\$ 4,910,543</u>

The sales price and collection terms were based on the agreements with the related parties.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
E Ink Corporation	\$ 5,727,661	\$ 3,426,707
Transcend Optronics (Yangzhou) Co., Ltd.	1,533,252	1,594,323
Others	<u>721,671</u>	<u>412,957</u>
	7,982,584	5,433,987
Associate	699,539	740,725
Others	<u>2,416</u>	<u>1,735</u>
	<u>\$ 8,684,539</u>	<u>\$ 6,176,447</u>

The purchase price and payment terms were based on the agreements with the related parties.

d. Manufacturing cost (included in operating costs)

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiary	<u>\$ 2,033,599</u>	<u>\$ 829,567</u>

e. Operating expenses

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiary	\$ 223,181	\$ 216,962
Substantive related party	18,178	17,652
Associate	12,166	24,252
Subsidiary of investor with significant influence over the Company	<u>1,885</u>	<u>1,473</u>
	<u>\$ 255,410</u>	<u>\$ 260,339</u>

f. Non-operating income - other income

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiary	\$ 7,457	\$ 2,177
Subsidiary of investor with significant influence over the Company	<u>-</u>	<u>17</u>
	<u>\$ 7,457</u>	<u>\$ 2,194</u>

g. Non-operating expense - other expenses

Related Party Category	For the Year Ended December 31	
	2021	2020
Key management personnel	<u>\$ -</u>	<u>\$ 4,771</u>

h. Receivables from related parties

Line Items	Related Party Category/Name	December 31	
		2021	2020
Accounts receivable from related parties	Subsidiary		
	Transcend Optronics (Yangzhou) Co., Ltd.	\$ 3,848,410	\$ 2,673,605
	Prime View Communications Ltd.	1,495,949	869,096
	YuanHan Materials Inc.	282,228	88,066
	Others	<u>244,949</u>	<u>10,509</u>
		<u>5,871,536</u>	<u>3,641,276</u>
	Associate	85,936	17,673
Less: Loss allowance	<u>(17,177)</u>	<u>(17,673)</u>	
	<u>68,759</u>	<u>-</u>	
	<u>\$ 5,940,295</u>	<u>\$ 3,641,276</u>	
Other receivables (include in other current assets)	Subsidiary	\$ 709	\$ 1,485
	Associate	9,688	-
	Less: Loss allowance	(9,769)	-
	Effects of foreign currency exchange differences	<u>81</u>	<u>-</u>
		<u>\$ 709</u>	<u>\$ 1,485</u>

The outstanding receivables from related parties were unsecured.

i. Payables to related parties

Line Items	Related Party Category/Name	December 31	
		2021	2020
Accounts payable to related parties	Subsidiary		
	Transcend Optronics (Yangzhou) Co., Ltd.	\$ 5,003,624	\$ 1,887,771
	E Ink Corporation	1,626,053	697,400
	Others	<u>154,766</u>	<u>161,750</u>
		6,784,443	2,746,921
	Associate	5,112	14,434
Subsidiary of investor with significant influence over the Company		829	5,546
	Other related parties	<u>55</u>	<u>-</u>
		<u>\$ 6,790,439</u>	<u>\$ 2,766,901</u>
Other payables to related parties (included in other payables)	Subsidiary	\$ 15,860	\$ 6,513
	Others	<u>619</u>	<u>499</u>
		<u>\$ 16,479</u>	<u>\$ 7,012</u>

The outstanding payables to related parties were unsecured.

j. Receipts in advance

Related Party Category/Name	December 31	
	2021	2020
Subsidiary - Transcend Optronics (Yangzhou) Co., Ltd.	<u>\$ 387,339</u>	<u>\$ 198,262</u>

k. Acquisition of property, plant and equipment

Related Party Category	Purchase Price	
	For the Year Ended December 31	
	2021	2020
Subsidiary	\$ 22,302	\$ 1,930
Associate	<u>-</u>	<u>11,803</u>
	<u>\$ 22,302</u>	<u>\$ 13,733</u>

l. Acquisition of financial assets and equity

For the year ended December 31, 2020

Related Party Category	Line Item	Number of Shares in Thousand	Underlying Assets	Purchase Price		Note
Subsidiary	Investments accounted for using the equity method	9,000	Equity	\$ 285,245		1) and 4)
Associate	Investments accounted for using the equity method	224	Equity	<u>6,597</u>		2)
Investor with significant influence over the Company	Financial assets at fair value through other comprehensive income	336	Shares	291,842		3)
				<u>11,424</u>		
				<u>\$ 303,266</u>		

- 1) In January 2020, the Company invested US\$9,000 thousand in cash in its subsidiary, PVI Global Limited.
 - 2) In July 2020, the Company acquired 2.66% ownership of Plastic Logic HK Limited (included in investments accounted for using the equity method).
 - 3) In August 2020, the Company acquired 0.14% of ownership in Yuen Foong Yu Consumer Products Co., Ltd. from YFY Inc. (included in financial assets at fair value through other comprehensive income).
 - 4) To adjust the investment structure, the Company purchased 100% ownership of E Ink Japan Inc. from E Ink Corporation in September 2020.
- m. Guarantee deposits received (included in other non-current liabilities)

Related Party Category	December 31	
	2021	2020
Key management personnel	\$ 1,050	\$ 1,050
Others	<u>3</u>	<u>3</u>
	<u>\$ 1,053</u>	<u>\$ 1,053</u>

- n. Endorsements and guarantees provided by related parties

Related Party Category/Name	December 31	
	2021	2020
Subsidiary		
YuanHan Materials Inc.	\$ 2,350,000	\$ 1,850,000
E Ink Corporation	1,162,560	1,196,160
Linfiny Corporation	350,000	350,000
New Field e-Paper Co., Ltd.	<u>200,000</u>	<u>-</u>
	<u>\$ 4,062,560</u>	<u>\$ 3,396,160</u>

- o. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 127,164	\$ 112,920
Post-employment benefits	1,328	1,235
Share-based payments	<u>9,329</u>	<u>-</u>
	<u>\$ 137,821</u>	<u>\$ 114,155</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

26. ASSETS PLEDGED AS COLLATERAL

The time deposits (included in other non-current assets) amounted to \$34,665 thousand and \$34,585 thousand as of December 31, 2021 and 2020, respectively, were provided as collateral for lease deposits of plants and land and tariff guarantee for imported inventories.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unused letters of credit of the Company for purchase of machinery amounted to \$190,572 thousand and \$208,330 thousand as of December 31, 2021 and 2020, respectively.

Guaranteed notes issued for long-term and short-term borrowings and lines of credit for derivative instrument trading were \$10,560,000 thousand and \$9,040,000 thousand as of December 31, 2021 and 2020, respectively.

Guaranteed notes issued for syndicated loans were both \$6,800,000 thousand as of December 31, 2021 and 2020.

To expand production capacity for operational needs, in May 2021, the board of directors of the Company resolved the project to construct new Hsinchu factory office building and multi-storey parking lot. The total amount of the construction is estimated at \$1.912 billion. The construction cost was \$23,138 thousand as of December 31, 2021.

28. OTHER ITEMS

Due to the global impact of the COVID-19 pandemic, governments of various countries around the world have successively implemented various epidemic prevention measures. The pandemic also led to the gradual transformation of the global consumption type. The Company benefited from the stay-at-home economy; the increase in operating revenue and gross profit from January 2021 to December 2021 was higher than the year in 2020; however, parts of the operating activities are still affected. The Company will continuously assess the impact of the outbreak on the Company's operations.

Based on the information available as of the balance sheet date, the Company considered the economic implications of the epidemic when making its critical accounting estimates, refer to Note 5 for the details.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 351,716	27.68	\$ 9,735,488
Non-monetary items			
Investments accounted for using the equity method			
USD	654,148	27.68	18,106,821
<u>Foreign currency liabilities</u>			
Monetary items			
USD	366,257	27.68	10,137,993

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 173,117	28.48	\$ 4,930,372
Non-monetary items			
Investments accounted for using the equity method			
USD	594,909	28.48	16,943,014
<u>Foreign currency liabilities</u>			
Monetary items			
USD	179,472	28.48	5,111,363

The Company's net realized and unrealized losses on foreign currency exchange were \$35,416 thousand and \$167,533 thousand for the years ended December 31, 2021 and 2020, respectively. It is impractical to disclose net gain or loss on foreign currency exchange by each significant foreign currency due to the variety of the foreign currency transactions and the functional currency.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments (Note 7)

b. Information on investees (Table 7)

c. Information on investments in mainland China (Table 8)

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income and limit on the amount of investment in the mainland China area.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
 - e) The highest balance, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

31. SEGMENT INFORMATION

The Company has disclosed related segment information in accordance with IFRS 8 in the consolidated financial statements.

E INK HOLDINGS INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance (Note 1)	Ending Balance (Note 1)	Amount Actually Drawn (Note 1)	Interest Rate Intervals (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Aggregate Financing Limit (Note 2)
													Item	Value		
1	Hydis Technologies Co., Ltd.	YuanHan Materials Inc.	Other receivables	Yes	\$ 2,097,000 (US\$ 75,000 thousand)	\$ 1,384,000 (US\$ 50,000 thousand)	\$ 1,384,000 (US\$ 50,000 thousand)	1.23	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 3,980,018 (KRW 169,362,450 thousand)	\$ 3,980,018 (KRW 169,362,450 thousand)
2	YuanHan Materials Inc.	New Field e-Paper Co., Ltd.	Other receivables	Yes	484,950	483,760	483,760	1.20	Short-term financing	-	Working capital	-	-	-	866,200	3,464,798
3	PVI Global Limited	New Field e-Paper Co., Ltd.	Other receivables	Yes	503,280 (US\$ 18,000 thousand)	221,440 (US\$ 8,000 thousand)	221,440 (US\$ 8,000 thousand)	1.00	Short-term financing	-	Working capital	-	-	-	1,623,321 (US\$ 58,646 thousand)	6,493,229 (US\$ 234,582 thousand)
		YuanHan Materials Inc.	Other receivables	Yes	389,340 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	1.20	Short-term financing	-	Working capital	-	-	-	1,623,321 (US\$ 58,646 thousand)	6,493,229 (US\$ 234,582 thousand)
4	Tech Smart Logistics Ltd.	YuanHan Materials Inc.	Other receivables	Yes	389,340 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	387,520 (US\$ 14,000 thousand)	1.20	Short-term financing	-	Working capital	-	-	-	411,961 (US\$ 14,883 thousand)	1,647,901 (US\$ 59,534 thousand)

Note 1: The amounts are translated at the exchange rate of US\$1=NT\$27.68, and KRW1=NT\$0.0235 on December 31, 2021, except the maximum balance that is translated at the highest exchange rate at the end of each month for the year.

Note 2: The aggregate and individual financing limits of Hydis Technologies Co., Ltd. shall not exceed 40% of the financing company's net equity per its latest financial statements. The aggregate and individual financing limits of YuanHan Materials Inc., PVI Global Limited and Tech Smart Logistics Ltd. shall not exceed 40% and 10%, respectively, of the financing company's net equity per its latest financial statements.

Note 3: The above intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsed/Guaranteed Party		Limit on Endorsement/ Guarantee Amount Provided to Each Endorsed/ Guaranteed Party (Note 1)	Maximum Balance for the Year (Note 2)	Ending Balance (Note 2)	Amount Actually Drawn (Note 2)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by Subsidiary	Endorsement/ Guarantee to Subsidiary in Mainland China
		Name	Relationship										
0	E Ink Holdings Inc.	E Ink Corporation	Subsidiary	\$ 8,791,791	\$ 1,198,470 (US\$ 42,000 thousand)	\$ 1,162,560 (US\$ 42,000 thousand)	\$ -	\$ -	3.31	\$ 35,167,166	Yes	No	No
		YuanHan Materials Inc.	Subsidiary	8,791,791	2,350,000	2,350,000	525,000	-	6.68	35,167,166	Yes	No	No
		Linfiny Corporation	Subsidiary	8,791,791	350,000	350,000	145,000	-	1.00	35,167,166	Yes	No	No
		New Field e-Paper Co., Ltd.	Subsidiary	8,791,791	200,000	200,000	-	-	0.57	35,167,166	Yes	No	No
1	Hydis Technologies Co., Ltd.	E Ink Holdings Inc.	Parent company	2,487,511 (KRW 105,851,531 thousand)	428,025 (US\$ 15,000 thousand)	968,800 (US\$ 35,000 thousand)	370,000	-	9.74	9,950,044 (KRW 423,406,126 thousand)	No	Yes	No

Note 1: The amount shall not exceed 25% of the net equity of the Company and the subsidiary, Hydis Technologies Co., Ltd.

Note 2: The amounts are translated at the exchange rate of US\$1=NT\$27.68, and KRW1=NT\$0.0235 on December 31, 2021, except the maximum balance is translated at the highest exchange rate of the end of each month for the year.

Note 3: The amount shall not exceed the net equity of the Company and the subsidiary, Hydis Technologies Co., Ltd.

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note	
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value		
E Ink Holdings Inc.	<u>Ordinary shares</u>								
	SinoPac Financial Holding Company Limited	Substantive related party Investor with significant influence over the Company	Financial assets at FVTOCI	119,522,461	\$ 1,930,288	1.06	\$ 1,930,288		
	YFY Inc.		Financial assets at FVTOCI	7,814,000	277,788	0.47	277,788		
	Ultra Chip, Inc.	-	Financial assets at FVTOCI	2,603,676	663,937	3.50	663,937		
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Company	Financial assets at FVTOCI	336,002	16,867	0.13	16,867		
	Mega Financial Holding Co., Ltd.		-	Financial assets at FVTOCI	8,190,000	291,155	0.06	291,155	
	Yuanta Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	12,175,000	308,027	0.10	308,027		
	Wistron Corporation	-	Financial assets at FVTOCI	9,296,000	270,978	0.32	270,978		
	Getac Technology Corporation	-	Financial assets at FVTOCI	2,674,000	148,942	2.17	148,942		
	Taiwan Cement Corporation	-	Financial assets at FVTOCI	5,768,000	276,864	0.09	276,864		
	Asia Electronic Material Co., Ltd.	-	Financial assets at FVTOCI	351,000	8,161	0.36	8,161		
	Taiflex Scientific Co., Ltd.	-	Financial assets at FVTOCI	241,000	11,447	0.12	11,447		
	IGNIS INNOVATION INC.	-	Financial assets at FVTPL - non-current	387,597	-	0.18	-		
	<u>Preferred shares</u>								
	Fubon Financial Holding Co., Ltd. (A)	-	Financial assets at FVTOCI	4,675,000	295,460	0.04	295,460		
	Cathay Financial Holding Co., Ltd. (A)	-	Financial assets at FVTOCI	2,354,000	148,067	0.02	148,067		
	Taishin Financial Holding Co., Ltd. (E)	-	Financial assets at FVTOCI	2,293,000	121,758	0.02	121,758		
<u>Convertible preferred shares</u>									
MICAREO INC.	-	Financial assets at FVTPL - non-current	6,000,000	-	14.69	-			
New Field e-Paper Co., Ltd.	<u>Ordinary shares</u>								
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	22,028,000	355,752	0.20	355,752		
	Jetbest Corporation		-	Financial assets at FVTOCI	278,000	7,395	0.85	7,395	
	Ventec International Group Co., Ltd.		-	Financial assets at FVTOCI	475,000	63,413	0.66	63,413	
	Wistron Corporation		-	Financial assets at FVTOCI	8,307,000	242,149	0.29	242,149	
Taiwan Cement Corporation	-		Financial assets at FVTOCI	1,650,000	79,200	0.03	79,200		

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note	
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value		
YuanHan Materials Inc.	<u>Ordinary shares</u>								
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	214,864,329	\$ 3,470,059	1.90	\$ 3,470,059		
	YFY Inc.	Investor with significant influence over the parent company	Financial assets at FVTOCI	16,000	569	0.00	569		
	Netronix Inc.	-	Financial assets at FVTOCI	5,309,198	302,093	6.40	302,093		
	Fitipower Integrated Technology Inc.	-	Financial assets at FVTOCI	2,587,626	729,711	1.39	729,711		
	SES-imagotag	-	Financial assets at FVTOCI	866,666	2,041,227	5.50	2,041,227		
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the parent company	Financial assets at FVTOCI	688	35	0.00	35		
	Mega Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	4,650,000	165,307	0.03	165,307		
	Yuanta Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	8,893,000	224,993	0.07	224,993		
	Wistron Corporation	-	Financial assets at FVTOCI	9,270,000	270,220	0.32	270,220		
	Daxin Materials Corp.	-	Financial assets at FVTOCI	869,000	133,826	0.85	133,826		
	Getac Technology Corporation	-	Financial assets at FVTOCI	4,453,000	248,032	3.61	248,032		
	Zenitron Corporation	-	Financial assets at FVTOCI	4,249,000	147,865	1.99	147,865		
	Taiwan Cement Corporation	-	Financial assets at FVTOCI	3,137,000	150,576	0.05	150,576		
	Ushine Photonics Corporation	-	Financial assets at FVTOCI	3,297,179	69,735	14.09	69,735		
	Formolight Technologies, Inc.	-	Financial assets at FVTOCI	2,227,500	16,578	10.93	16,578		
	Echem Solutions Corp.	-	Financial assets at FVTOCI	742,820	17,725	0.93	17,725		
	eCrowd Media Inc.	-	Financial assets at FVTOCI	1,309,701	9,010	6.46	9,010		
	<u>Preferred shares</u>								
	Fubon Financial Holding Co., Ltd. (A)	-	Financial assets at FVTOCI	4,684,000	296,029	0.03	296,029		
	<u>Convertible preferred shares</u>								
	SigmaSense, LLC	-	Financial assets at FVTPL - non-current	72,916	121,099	2.05	121,099		
	<u>Convertible bonds</u>								
	Nuclera Nucleics Ltd.	-	Financial assets at FVTPL - non-current	-	258,153	-	258,153		
	<u>Straight corporate bonds</u>								
	FS KKR CAPITAL CORP	-	Financial assets at FVTOCI	2,000,000	58,765	-	58,765		
NOMURA HOLDINGS INC.	-	Financial assets at FVTOCI	1,950,000	55,872	-	55,872			
<u>Mutual funds</u>									
BLACKSTONE REITS	-	Financial assets at FVTPL - non-current	8,449	299,297	-	299,297			
Millennium	-	Financial assets at FVTPL - non-current	1,011,939	27,837	-	27,837			

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Transcend Optronics (Yangzhou) Co., Ltd.	<u>Ordinary shares</u> Dalian DKE LCD Co., Ltd.	-	Financial assets at FVTOCI	837,000	RMB 14,377 thousand	2.73	RMB 14,377 thousand	
	Hanshow Technology Corporation	-	Financial assets at FVTOCI	2,880,000	RMB 40,174 thousand	0.76	RMB 40,174 thousand	
Rich Optronics (Yangzhou) Co., Ltd.	<u>Structured deposits</u> Bank of Industrial and Commercial - link structured deposits	-	Financial assets at FVTPL - current	-	RMB 22,182 thousand	-	RMB 22,182 thousand	
Hydis Technologies Co., Ltd.	<u>Ordinary shares</u> Hana Financial Group Inc.	-	Financial assets at FVTOCI	455,121	KRW 19,137,838 thousand	0.16	KRW 19,137,838 thousand	
	Solum Co., Ltd.	-	Financial assets at FVTOCI	840,990	KRW 18,880,226 thousand	1.68	KRW 18,880,226 thousand	
	KT&G Corporation	-	Financial assets at FVTOCI	290,618	KRW 22,958,822 thousand	0.23	KRW 22,958,822 thousand	
	LG Uplus Corp	-	Financial assets at FVTOCI	664,380	KRW 9,035,568 thousand	0.15	KRW 9,035,568 thousand	
	Samsung Card Co., Ltd.	-	Financial assets at FVTOCI	275,805	KRW 8,687,857 thousand	0.26	KRW 8,687,857 thousand	
	<u>Mutual funds</u> Term Liquidity Fund	-	Financial assets at FVTPL - non-current	95,558	KRW 12,159,926 thousand	-	KRW 12,159,926 thousand	
	<u>Perpetual bonds</u> JP Morgan Chase & Co.	-	Financial assets at FVTPL - non-current	48,500,000	KRW 57,996,592 thousand	-	KRW 57,996,592 thousand	
	Bank of America Corporation	-	Financial assets at FVTPL - non-current	37,900,000	KRW 45,586,435 thousand	-	KRW 45,586,435 thousand	
	<u>Straight corporate bonds</u> NOMURA HOLDINGS, INC.	-	Financial assets at FVTOCI	9,100,000	KRW 11,132,189 thousand	-	KRW 11,132,189 thousand	
	Standard Chartered PLC	-	Financial assets at FVTOCI	8,800,000	KRW 11,160,692 thousand	-	KRW 11,160,692 thousand	
BARCLAYS	-	Financial assets at FVTOCI	8,490,000	KRW 11,070,599 thousand	-	KRW 11,070,599 thousand		
Fubon Hyundai Life	-	Financial assets at amortized cost	2,200,000	KRW 22,008,211 thousand	-	KRW 22,008,211 thousand		

Note: Refer to Tables 7 and 8 for information on investments in subsidiaries and associates.

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments	Ending Balance	
					Units (In Thousands)	Amount	Units (In Thousands)	Amount	Units (In Thousands)	Prices	Carrying Amount	Gain on Disposal (Note 1)		Units (In Thousands)	Amount
Hydis Technologies Co., Ltd.	Perpetual bonds Bank of America Corporation	Financial assets at FVTPL - non-current	-	-	5,000,000	KRW 5,572,736 thousand	32,900,000	KRW 39,156,462 thousand	-	\$ -	\$ -	\$ -	KRW 857,237 thousand (Note 1)	37,900,000	KRW 45,586,435 thousand
	J.P. Morgan Chase & Co.	Financial assets at FVTPL - non-current	-	-	29,800,000	KRW 32,415,916 thousand	18,700,000	KRW 21,893,025 thousand	-	-	-	-	3,687,651 thousand (Note 1)	48,500,000	KRW 57,996,592 thousand
	Straight corporate bonds Fubon Hyundai Life	Financial assets at amortized cost - non-current	-	-	700,000	KRW 7,010,196 thousand	1,500,000	KRW 15,000,000 thousand	-	-	-	-	KRW (1,985) thousand (Note 1)	2,200,000	KRW 22,008,211 thousand
	Ordinary shares Hana Financial Group	FVTOCI - non-current	-	-	-	-	455,121	KRW 19,981,952 thousand	-	-	-	-	KRW (844,114) thousand (Note 1)	455,121	KRW 19,137,838 thousand
	SOLUM CO., LTD.	FVTOCI - non-current	-	-	-	-	840,990	KRW 20,001,494 thousand	-	-	-	-	KRW (1,121,268) thousand (Note 1)	840,990	KRW 18,880,226 thousand
	KT&G Corporation	FVTOCI - non-current	-	-	-	-	290,618	KRW 24,974,146 thousand	-	-	-	-	KRW (2,015,324) thousand (Note 1)	290,618	KRW 22,958,822 thousand
Transcend Optronics (Yangzhou) Co., Ltd.	Principal guaranteed wealth investment products														
	Principal guaranteed with floating profit structured deposits	Financial assets at amortized cost - current	Bank of Nanjing	-	-	RMB 90,000 thousand	-	-	RMB 91,387 thousand	RMB 90,000 thousand	RMB 1,387 thousand	-	-	-	-
	Principal guaranteed with floating profit structured deposits	Financial assets at FVTPL - current	Bank of Nanjing	-	-	RMB 241,658 thousand	-	RMB 170,000 thousand	RMB 414,050 thousand	RMB 410,000 thousand	RMB 4,050 thousand	-	-	-	-
	Principal guaranteed with floating profit structured deposits	Financial assets at FVTPL - current	Bank of Jiansu	-	-	-	-	RMB 160,000 thousand	RMB 160,928 thousand	RMB 160,000 thousand	RMB 928 thousand	-	-	-	-
E Ink Corporation	Ordinary shares Nuclera Nucleics Ltd. (Note 2)	Investment accounted for using the equity method	Nuclera Nucleics Ltd.	-	-	-	1,107,094	US\$ 25,691 thousand (Note 3)	-	-	-	-	US\$ (3,641) thousand (Note 1)	1,107,094	US\$ 22,050 thousand

Note 1: Included in interest income, net gain (loss) on financial assets and liabilities at FVTPL and loss from investments in associates accounted for using the equity method.

Note 2: Refer to Note 14 for the subsidiary E Ink Corporation's use of its microfluidic technology (including related equipment and inventory, etc. in the amount of approximately US\$1,909 thousand) to exchange for Nuclera Nucleics Ltd.'s 26.5% equity share.

Note 3: Included related acquisition cost.

E INK HOLDINGS INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Sale	\$ (3,992,846)	22	By agreements	\$ -	-	\$ 1,495,949	25	
	E Ink Corporation	Subsidiary	Purchase	5,727,661	40	By agreements	-	-	(1,626,053)	(24)	
	YuanHan Materials Inc.	Subsidiary	Sale	(1,944,678)	11	By agreements	-	-	282,228	5	
	YuanHan Materials Inc.	Subsidiary	Purchase	572,211	4	By agreements	-	-	(49,064)	(1)	
	Linfiny Corporation	Subsidiary	Purchase	148,818	1	By agreements	-	-	(18,216)	-	
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Purchase	1,533,252	11	By agreements	-	-	(5,003,624)	(74)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	699,539	5	By agreements	-	-	-	-	
YuanHan Materials Inc.	E Ink Holdings Inc.	Parent company	Sale	(572,211)	(14)	By agreements	-	-	49,064	94	
	E Ink Holdings Inc.	Parent company	Purchase	1,944,678	76	By agreements	-	-	(282,228)	(100)	
Linfiny Corporation	E Ink Holdings Inc.	Parent company	Sale	(148,818)	(98)	By agreements	-	-	18,216	92	
Prime View Communications Ltd.	E Ink Holdings Inc.	Parent company	Purchase	3,992,846	100	By agreements	-	-	(1,495,949)	(100)	
E Ink Corporation	E Ink Holdings Inc.	Parent company	Sale	(5,727,661)	(100)	By agreements	-	-	1,626,053	98	
	E Ink California, LLC	Subsidiary	Purchase	553,979	15	By agreements	-	-	(307,992)	(56)	
E Ink California, LLC	E Ink Corporation	Parent company	Sale	(553,979)	(100)	By agreements	-	-	307,992	100	
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	Sale	(1,533,252)	(100)	By agreements	-	-	5,003,624	100	

Note 1: The calculation is based on each company's receivables from (payables to) related parties.

Note 2: The above intercompany transactions have been eliminated upon consolidation, except transactions with NTX Electronics Yangzhou Co., Ltd.

E INK HOLDINGS INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amount Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	\$ 1,495,949	3.38	\$ -	-	\$ 287,740	\$ -
	YuanHan Materials Inc.	Subsidiary	282,228	10.50	-	-	94,370	-
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	3,848,410	(Note 1)	82,244	Collected	1,521,925	-
	E Ink Corporation	Subsidiary	243,728	0.20	11,857	In the process of collection	2,596	-
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	5,003,624	(Note 1)	835,145	Collected	2,108,284	-
E Ink Corporation	E Ink Holdings Inc.	Parent company	1,626,053	4.93	1,162,686	In the process of collection	593,406	-
E Ink California, LLC	E Ink Corporation	Parent company	307,992	1.46	131,626	In the process of collection	43,858	-

Note 1: Other receivables from materials delivered to subcontractors.

Note 2: The above intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of Investee	Share of Profit (Loss) of Investee	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
E Ink Holdings Inc.	PVI Global Limited	British Virgin Islands	Investment	\$ 3,360,434	\$ 3,360,434	108,413,176	100.00	\$ 16,233,100	\$ 2,078,769	\$ 2,078,769	(Note)
	New Field e-Paper Co., Ltd.	Taoyuan, Taiwan	Wholesale and sale of electronics parts	6,394,455	6,394,455	671,032,318	100.00	5,497,393	297,957	297,957	(Note)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	4,911,303	4,911,303	1,034	45.31	4,239,021	1,454,012	213,332	(Note)
	YuanHan Materials Inc.	Taipei, Taiwan	Research, development and sale of electronic parts and electronic ink	6,420,230	6,420,230	183,819,268	100.00	8,642,719	1,627,642	1,627,884	(Note)
	Dream Universe Ltd.	Mauritius	Trading	128,710	128,710	4,050,000	100.00	349,001	(79)	(79)	(Note)
	Prime View Communications Ltd.	Hong Kong	Trading	18,988	18,988	3,570,000	100.00	(33,896)	(30,628)	(30,628)	(Note)
	Enttek Co., Ltd.	Taichung, Taiwan	Manufacture and sale of consumer audio-visual systems	34,547	34,547	2,203,161	47.07	-	-	-	Under liquidation
	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	49,267	49,267	1,550,000	0.09	3,708	207,461	187	(Note)
	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	16,800	16,800	1,680,000	4.00	1,206	9,844	394	(Note)
	Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	6,597	6,597	223,655	2.40	1,093	(78,096)	(1,013)	
E Ink Japan Inc.	Tokyo, Japan	Development of electronic ink products	15,065	15,065	200	100.00	16,492	3,830	3,830	(Note)	
New Field e-Paper Co., Ltd.	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	4,865,850	4,865,850	1,748,251,748	99.91	4,116,045	207,461	207,275	(Note)
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	1,618,500	1,618,500	294	12.88	1,205,001	1,454,012	60,643	(Note)
YuanHan Materials Inc.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	323,400	323,400	32,340,000	77.00	23,213	9,844	7,580	(Note)
	Yuen Foong Yu Biotech Co., Ltd.	Taipei, Taiwan	Cultivation, processing and sale of agriculture and restaurant management	36,000	36,000	3,600,000	36.00	9,448	31,416	8,446	
	Kyoritsu Optronics Co., Ltd.,	Taipei, Taiwan	Technology development, transfer and licensing of flat panels	18,860	18,860	1,050,000	25.65	-	-	-	
Linfiny Corporation	Linfiny Japan Inc.	Tokyo, Japan	Research and development of electronic ink	11,088	11,088	4,000	100.00	23,047	1,204	1,204	(Note)
E Ink Corporation	E Ink California, LLC	California, USA	Research, development and sale of electronic ink	US\$ 29,100 thousand	US\$ 29,100 thousand	27,400,000	100.00	US\$ 33,431 thousand	US\$ 3,697 thousand	US\$ 1,651 thousand	(Note)
	Nuclera Nucleics Ltd.	Cambridge, UK	Protein, gene synthesis and digital microfluidics	US\$ 25,691 thousand	-	1,107,094	26.50	US\$ 22,050 thousand	US\$ (12,540) thousand	US\$ (3,323) thousand	
Tech Smart Logistics Ltd.	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	US\$ 152,875 thousand	US\$ 152,875 thousand	954	41.81	US\$ 133,017 thousand	US\$ 52,038 thousand	US\$ 7,391 thousand	(Note)
PVI Global Limited	PVI International Corp.	British Virgin Islands	Trading	US\$ 169,300 thousand	US\$ 160,300 thousand	169,300,000	100.00	US\$ 182,823 thousand	US\$ 32,001 thousand	US\$ 32,001 thousand	(Note)
	Dream Pacific International Limited	British Virgin Islands	Investment	US\$ 1,000 thousand	US\$ 1,000 thousand	26,000,000	100.00	US\$ 334,291 thousand	US\$ 42,202 thousand	US\$ 42,202 thousand	(Note)
	Ruby Lustre Ltd.	British Virgin Islands	Investment	US\$ 30,000 thousand	US\$ 30,000 thousand	30,000,000	100.00	US\$ 28,515 thousand	US\$ 308 thousand	US\$ 308 thousand	(Note)
	North Diamond International Co., Ltd.	British Virgin Islands	Investment	US\$ 1,750 thousand	US\$ 1,750 thousand	1,750,000	35.00	-	-	-	
	Rock Pearl International Corp.	British Virgin Islands	Investment	US\$ 1,540 thousand	US\$ 1,540 thousand	1,540,000	35.00	-	US\$ 8 thousand	US\$ 3 thousand	
Dream Pacific International Limited	Hydis Technologies Co., Ltd.	South Korea	Research, development and licensing of monitors	US\$ 27,612 thousand	US\$ 27,612 thousand	3,783,265	94.73	US\$ 339,810 thousand	US\$ 40,655 thousand	US\$ 39,631 thousand	(Note)
Hydis Technologies Co., Ltd.	Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	KRW 2,942,500 thousand	KRW 2,942,500 thousand	2,500,000	26.79	484,213 thousand	KRW(3,107,540) thousand	KRW (832,417) thousand	

Note: All intercompany transactions have been eliminated upon consolidation.

TABLE 8

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Product	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 1)	Net Income (Loss) of Investee (Note 2)	Direct or Indirect Percentage of Ownership (%)	Share of Profit (Loss) of Investee (Notes 2 and 3)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Transcend Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	\$ 4,686,224 (US\$ 169,300 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	\$ 3,261,950 (US\$ 117,845 thousand)	\$ -	\$ -	\$ 3,261,950 (US\$ 117,845 thousand)	\$ 913,822 (US\$ 32,626 thousand)	100.00	\$ 896,428 (US\$ 32,005 thousand)	\$ 5,054,423 (US\$ 182,602 thousand)	\$ -
Rich Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	830,400 (US\$ 30,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	830,400 (US\$ 30,000 thousand)	-	-	830,400 (US\$ 30,000 thousand)	8,627 (US\$ 308 thousand)	100.00	8,627 (US\$ 308 thousand)	789,295 (US\$ 28,515 thousand)	-
Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	1,022,250 (US\$ 36,931 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	(13,108) (US\$ (468) thousand)	100.00	(13,108) (US\$ (468) thousand)	810,775 (US\$ 29,291 thousand)	-
Yangzhou Huaxia Integrated O/E System Co., Ltd. (liquidated)	Manufacture and sale of LED products	-	The Company indirectly owns the investee through an investment company registered in a third region	38,475 (US\$ 1,390 thousand)	-	-	38,475 (US\$ 1,390 thousand)	980 (US\$ 35 thousand)	100.00	980 (US\$ 35 thousand)	-	-
Dihao Electronics (Yangzhou) Co., Ltd. (Under liquidation)	Assembly of LCD backlight board display modules	138,400 (US\$ 5,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	48,440 (US\$ 1,750 thousand)	-	-	48,440 (US\$ 1,750 thousand)	-	35.00	-	-	-
NTX Electronics Yangzhou Co., Ltd.	Manufacture and sale of flat panels	173,659 (RMB 40,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	9,065 (RMB 2,088 thousand)	49.00	4,399 (RMB 1,023 thousand)	101,753 (RMB 23,437 thousand)	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,179,265 (US\$ 150,985 thousand)	\$ 8,141,657 (US\$ 294,135 thousand)	\$ 26,297,496

Note 1: The amounts are translated at the exchange rate of US\$1=NT\$27.68 and RMB1 = NT\$4.34148 on December 31, 2021.

Note 2: The amounts are translated at the average exchange rate of US\$1 = NT\$28.009 and RMB1 = NT\$4.34167 for the year ended December 31, 2021.

Note 3: The amounts were calculated based on audited financial statements of the corresponding year.

Note 4: Refer to Tables 5, 6 and 9, for information on the prices, payment terms and unrealized profit or loss of significant transactions with investee companies in mainland China.

Note 5: The above intercompany transactions have been eliminated upon consolidation, except transactions with NTX Electronics Yangzhou Co., Ltd. and Dihao Electronics (Yangzhou) Co., Ltd.

(Concluded)

TABLE 9**E INK HOLDINGS INC.****INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
YFY Inc.	133,472,904	11.70
S.C. Ho	80,434,300	7.05

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

E INK HOLDINGS INC.

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E INK HOLDINGS INC.**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Period	Rate	Amount
Cash on hand (Note)		-	\$ <u>183</u>
Cash in banks			
Checking accounts		-	15
Demand deposits (Note)		0.01-0.2%	<u>2,420,314</u>
			<u>2,420,329</u>
			<u>\$ 2,420,512</u>

Note: Including US\$70,248 thousand and JPY52,727 thousand, which are translated at the exchange rate of US\$1=NT\$27.68 and JPY1=NT\$0.2405, respectively.

E INK HOLDINGS INC.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Client A	\$ 660,752
Client B	472,701
Client C	234,796
Client D	189,400
Others (Note)	<u>243,032</u>
	1,800,681
Less: Loss allowance	<u>(802)</u>
	<u>\$ 1,799,879</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

E INK HOLDINGS INC.**STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 1,126,273	\$ 1,678,739
Semi-finished goods	374,536	372,526
Work in progress	254,078	259,036
Raw materials	<u>2,439,520</u>	<u>2,975,869</u>
	4,194,407	<u>\$ 5,286,170</u>
Less: Allowance for write-downs of inventories (Note)	<u>862,806</u>	
	<u>\$ 3,331,601</u>	

Note: Including allowance for obsolete inventories.

E INK HOLDINGS INC.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars, Except Unit Price)

Type and Name of Marketable Securities	Balance, January 1, 2021		Increase in 2021		Decrease in 2021 (Note 2)		Unrealized Gain (Loss) on Financial Assets (Note 1)	Fair Value on December 31, 2021 (Note 3)			
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Percentage of Ownership (%)	Unit Price (NT\$)	Amount
Ordinary Shares											
SinoPac Financial Holding Company Limited	112,701,461	\$ 1,290,431	6,821,000	\$ 76,253	-	\$ -	\$ 563,604	119,522,461	1.06	16.15	\$ 1,930,288
YFY Inc.	7,814,000	230,123	-	-	-	-	47,665	7,814,000	0.47	35.55	277,788
Ultra Chip, Inc.	2,703,676	112,338	-	-	(100,000)	(20,354)	571,953	2,603,676	3.5	255.00	663,937
Yuen Fong Yu Consumer Products Co., Ltd.	336,002	15,540	-	-	-	-	1,327	336,002	0.13	50.20	16,867
Mega Financial Holding Company Limited	-	-	8,190,000	236,792	-	-	54,363	8,190,000	0.06	35.55	291,155
Yuanta Financial Holding Company Limited	-	-	12,175,000	255,813	-	-	52,214	12,175,000	0.1	25.30	308,027
WISTRON Corporation	-	-	9,296,000	289,912	-	-	(18,934)	9,296,000	0.32	29.15	270,978
Getac Technology Corporation	-	-	2,674,000	165,883	-	-	(16,941)	2,674,000	2.17	55.70	148,942
Taiwan Cement Corporation	-	-	5,768,000	284,567	-	-	(7,703)	5,768,000	0.09	48.00	276,864
Fubon Financial Holding Company Limited (a)	-	-	4,675,000	289,940	-	-	5,520	4,675,000	0.04	63.20	295,460
Cathay Financial Holding Company Limited (a)	-	-	2,354,000	145,518	-	-	2,549	2,354,000	0.02	62.90	148,067
Taishin Financial Holding Company Limited (e)	-	-	2,293,000	121,141	-	-	617	2,293,000	0.02	53.10	121,758
Asia Electronic Material Co., Ltd.	-	-	351,000	7,266	-	-	895	351,000	0.36	23.25	8,161
Taiflex Scientific Co., Ltd.	-	-	241,000	11,167	-	-	280	241,000	0.12	47.50	11,447
		<u>\$ 1,648,432</u>		<u>\$ 1,884,252</u>		<u>\$ (20,354)</u>	<u>\$ 1,257,409</u>				<u>\$ 4,769,739</u>

Note 1: Included in unrealized gain (loss) on financial assets at FVTOCI.

Note 2: Including in unrealized gain/loss on financial assets at FVTOCI transferred to retained earnings due to disposal was \$19,378 thousand.

Note 3: Calculated based on the closing price on December 31, 2021.

E INK HOLDINGS INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2021		Increase (Decrease) in 2021 (Note 1)		Share of Profit (Loss) of Subsidiaries Accounted for Using the Equity Method (Note 2)	Equity Adjustments (Note 3)	Balance, December 31, 2021		
	Shares	Amount	Shares	Amount			Shares	Percentage of Ownership (%)	Amount
Investment in subsidiaries									
PVI Global Limited	108,413,176	\$ 15,387,931	-	\$ -	\$ 2,078,769	\$ (1,233,600)	108,413,176	100.00	\$ 16,233,100
YuanHan Materials Inc.	183,819,268	5,446,007	-	(786,152)	1,627,884	2,354,980	183,819,268	100.00	8,642,719
New Field e-Paper Co., Ltd.	671,032,318	5,112,044	-	-	297,957	87,392	671,032,318	100.00	5,497,393
E Ink Corporation	1,034	4,036,496	-	-	213,332	(10,807)	1,034	45.31	4,239,021
Dream Universe Ltd.	4,050,000	359,170	-	-	(79)	(10,090)	4,050,000	100.00	349,001
E Ink Japan Inc.	200	14,896	-	-	3,830	(2,234)	200	100.00	16,492
Tech Smart Logistics Ltd.	1,550,000	3,602	-	-	187	(81)	1,550,000	0.09	3,708
Linfiny Corporation	1,680,000	944	-	-	394	(132)	1,680,000	4.00	1,206
Entte K Co., Ltd. (under liquidation)	2,203,161	-	-	-	-	-	2,203,161	47.07	-
		<u>30,361,090</u>		<u>(786,152)</u>	<u>4,222,274</u>	<u>1,185,428</u>			<u>34,982,640</u>
Investment in associate									
Plastic Logic HK Limited	223,655	1,888	-	-	(1,013)	218	223,655	2.4	1,093
		<u>30,362,978</u>		<u>(786,152)</u>	<u>4,221,261</u>	<u>1,185,646</u>			<u>34,983,733</u>
Investment accounted for using the equity method									
Prime View Communications Ltd. (Note 4)	3,570,000	(3,859)	-	-	(30,628)	591	3,570,000	100.00	(33,896)
		<u>\$ 30,359,119</u>		<u>\$ (786,152)</u>	<u>\$ 4,190,633</u>	<u>\$ 1,186,237</u>			<u>\$ 34,949,837</u>

Note 1: Dividends paid.

Note 2: The amounts were calculated based on audited financial statements of the corresponding year.

Note 3: Including recognition of adjustments that have not been recognized based on exchange differences on translating the financial statements of foreign operations, remeasurement of defined plans, and unrealized gain (loss) on financial assets at FVTOCI, etc.

Note 4: As of December 31, 2021 and 2020, the investment in Prime View Communications Ltd. was all recorded in other non-current liabilities due to the credit balance of \$3,859 thousand.

E INK HOLDINGS INC.**STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Land	Other Equipment	Total
Cost			
Balance at January 1, 2021	\$ 863,218	\$ 4,113	\$ 867,331
Additions	6,281	5,250	11,531
Disposals	<u>-</u>	<u>(2,793)</u>	<u>(2,793)</u>
Balance at December 31, 2021	<u>\$ 869,499</u>	<u>\$ 6,570</u>	<u>\$ 876,069</u>
Accumulated depreciation			
Balance at January 1, 2021	\$ 49,760	\$ 2,304	\$ 52,064
Depreciation expenses	26,624	2,243	28,867
Disposals	<u>-</u>	<u>(2,627)</u>	<u>(2,627)</u>
Balance at December 31, 2021	<u>\$ 76,384</u>	<u>\$ 1,920</u>	<u>\$ 78,304</u>
Carrying amounts at December 31, 2021	<u>\$ 793,115</u>	<u>\$ 4,650</u>	<u>\$ 797,765</u>

E INK HOLDINGS INC.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Type of Loan and Creditor	Contract Period	Interest Rate (%)	Amount	Loan Commitments
<u>Short-term unsecured borrowings</u>				
Yuanta Commercial Bank	2021.11-2022.02	0.88	\$ 200,000	\$ 200,000
Jin Sun International Bank	2021.10-2022.03	0.86	250,000	300,000
Fubon Commercial Bank Co., Ltd.	2021.12-2022.03	0.77	100,000	450,000
Taishin International Bank	2021.12-2022.01	0.89	95,000	800,000
E.Sun Commercial Bank., Ltd.	2021.12-2022.01	0.87	50,000	150,000
Citibank Taiwan Ltd.	2021.11-2022.03	0.81-0.96	595,200	775,040
DBS Bank Ltd.	2021.10-2022.03	0.85	300,000	400,000
Taiwan Shin Kong Commercial Bank Co., Ltd.	2021.12-2022.01	0.85	<u>250,000</u>	<u>400,000</u>
			1,840,200	3,475,040
<u>Short-term secured borrowings (Note)</u>				
Citibank Taiwan Ltd.	2021.01-2022.01	0.69	<u>370,000</u>	<u>913,440</u>
			<u>\$ 2,210,200</u>	<u>\$ 4,388,480</u>

Note: Secured borrowings endorsed and guaranteed by the subsidiaries Hydis Technologies Co., Ltd. for the Company.

E INK HOLDINGS INC.

STATEMENT OF SHORT-TERM BILLS PAYABLE
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Guarantee Agency	Issuance Period	Discount Rate (%)	Amount of Commercial Principal			Mortgage or Guarantee
			Amount of Issuance	Unamortized Discounts in Short-term Bills Payable	Carrying Amount	
Dah Chung Bills Finance Corp.	2021.12.23-2022.01.20	0.60	\$ 150,000	\$ 47	\$ 149,953	-
Ta Ching Bills Finance Corporation	2021.11.11-2022.01.16	0.41-0.65	1,150,000	77	1,149,923	-
China Bills Finance Corporation	2021.11.11-2022.01.20	0.38-0.40	1,200,000	94	1,199,906	-
Taiwan Finance Corporation	2021.12.08-2022.01.27	0.64	200,000	91	199,909	-
Mega Bills Finance Co., Ltd.	2021.11.11-2022.01.06	0.41-0.66	<u>1,600,000</u>	<u>93</u>	<u>1,599,907</u>	-
			<u>\$ 4,300,000</u>	<u>\$ 402</u>	<u>\$ 4,299,598</u>	

E INK HOLDINGS INC.

STATEMENT OF CONTRACT LIABILITIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Otherwise)

Vendor Name	Amount
Client A	\$ 1,263,403
Client B	231,441
Client C	213,542
Client D	212,717
Client E	164,477
Others (Note 2)	<u>534,716</u>
	<u>\$ 2,620,296</u>

Note 1: The contract liabilities are advance sales receipts and royalty.

Note 2: The amount of contract liabilities due to each individual under “Others” does not exceed 5% of total account balance.

E INK HOLDINGS INC.

STATEMENT OF NOTES AND ACCOUNTS PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Vendor A	\$ 577,258
Vendor B	492,035
Vendor C	210,549
Vendor D	159,112
Vendor E	158,089
Others (Note)	<u>915,613</u>
	<u>\$ 2,512,656</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

E INK HOLDINGS INC.

STATEMENT OF LONG-TERM LOANS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Creditor	Contract Period	xxx	Interest Rate (%)	Borrowing Amount			Guarantee and Pledge
				Current	Non-current	Total	
Syndicated loans							
Mega Bank	2021.09-2022.03 (Note)	Principal repayable on maturity, interest payable on a monthly basis	1.00	\$ -	\$ 470,560	\$ 470,560	-
Less: Arrangement fees of syndicated bank loans				-	(11,220)	(11,220)	-
				-	<u>459,340</u>	<u>459,340</u>	
Credit loans							
CTBC Bank	2021.08-2025.08	Principal repayable on maturity, interest payable on a monthly basis	0.70	-	128,000	128,000	-
Taishin Bank	2021.12-2026.12	Principal repayable on maturity, interest payable on a monthly basis	0.65	-	50,000	50,000	-
Mega Bank	2020.12-2025.12	Principal repayable on maturity, interest payable on a monthly basis	0.65	-	110,000	110,000	-
KGI Bank	2020.08-2025.05	Principal repayable on maturity, interest payable on a monthly basis	0.80	-	<u>100,000</u>	<u>100,000</u>	-
				-	<u>388,000</u>	<u>388,000</u>	
				<u>\$ -</u>	<u>\$ 847,340</u>	<u>\$ 847,340</u>	

Note: The amount of the syndicated loans contract will be used cyclically during the period.

E INK HOLDINGS INC.

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Lease Term	Discount Rate (%)	Amount
Land	2012.11-2053.12	0.56-1.56	\$ 809,430
Other equipment	2018.07-2024.04	0.60-0.61	<u>4,654</u>
			814,084
Less: Current portion			<u>(26,462)</u>
Non-current portion			<u>\$ 787,622</u>

E INK HOLDINGS INC.**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Shipping Units (In Thousands)	Amount
Revenue from sale of goods (Note)		
Consumer electronics	11,600	\$ 12,639,313
Internet of Things applications	18,514	6,384,937
Others	707	<u>30,731</u>
		19,054,981
Less: Sales returns and discounts		<u>986,401</u>
Operating revenue, net		<u>\$ 18,068,580</u>

Note: The Company mainly researches, develops, and manufactures electronic paper products. With the diversification of product applications, the business decision of the Company focused on the application categories and development of electronic paper products. Therefore, to use the application category of product to disclose the type of revenue is more in line with the development strategy of the Company devoted to applications of electronic paper products and provides more relevant information.

E INK HOLDINGS INC.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials balance, beginning of year	\$ 1,110,835
Add: Raw materials purchased	14,224,619
Less: Sales of raw materials	(545,453)
Transferred to other accounts	(309,006)
Raw materials, end of year	<u>(2,439,520)</u>
Usage of direct raw materials	12,041,475
Direct labor	52,351
Manufacturing expenses	<u>2,308,736</u>
Manufacturing cost	14,402,562
Add: Work in progress and semi-finished goods balance, beginning of year	438,968
Semi-finished goods purchased	47,177
Less: Sales of semi-finished goods	(1,286,625)
Transferred to other accounts	(88,448)
Work in progress and semi-finished goods balance, end of year	<u>(628,614)</u>
Cost of finished goods	12,885,020
Add: Finished goods balance, beginning of year	991,772
Less: Transferred to other accounts	(19,470)
Finished goods balance, end of year	<u>(1,126,273)</u>
Cost of finished goods sold	12,731,049
Add: Cost of raw materials sold	545,453
Cost of semi-finished goods sold	1,286,625
Loss on idle capacity	326,212
Loss on scrapped inventories	234,898
Inventory loss	288
Write-downs of inventories	<u>8,975</u>
Total operating costs	<u>\$ 15,133,500</u>

E INK HOLDINGS INC.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Employee benefits expense	\$ 261,663	\$ 473,387	\$ 495,434	\$ 1,230,484
Professional service fee	46,637	44,041	190,071	280,749
Material expense	9,967	14,114	210,266	234,347
Depreciation expense	1,383	44,732	102,507	148,622
Others	<u>36,189</u>	<u>179,758</u>	<u>96,866</u>	<u>312,813</u>
	<u>\$ 355,839</u>	<u>\$ 756,032</u>	<u>\$ 1,095,144</u>	<u>\$ 2,207,015</u>

E INK HOLDINGS INC.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Salaries	\$ 279,456	\$ 1,059,930	\$ 1,339,386	\$ 170,900	\$ 900,836	\$ 1,071,736
Labor and health insurance	22,786	64,680	87,466	14,908	58,477	73,385
Pension	10,473	41,423	51,896	7,066	37,868	44,934
Remuneration of directors	-	26,080	26,080	-	21,081	21,081
Others	18,412	38,371	56,783	11,999	35,945	47,944
	<u>\$ 331,127</u>	<u>\$ 1,230,484</u>	<u>\$ 1,561,611</u>	<u>\$ 204,873</u>	<u>\$ 1,054,207</u>	<u>\$ 1,259,080</u>
Depreciation	<u>\$ 106,756</u>	<u>\$ 148,622</u>	<u>\$ 255,378</u>	<u>\$ 121,166</u>	<u>\$ 125,251</u>	<u>\$ 246,417</u>
Amortization	<u>\$ 4</u>	<u>\$ 51,383</u>	<u>\$ 51,387</u>	<u>\$ -</u>	<u>\$ 50,658</u>	<u>\$ 50,658</u>

Note 1: For the years ended December 31, 2021 and 2020, the Company had 977 and 881 employees on average, respectively, among which were 5 and 7 non-employee directors, respectively.

- Note 2: a. For the years ended December 31, 2021 and 2020, the average employee benefits were \$1,580 thousand and \$1,416 thousand, respectively.
- b. For the years ended December 31, 2021 and 2020, the average employee salaries were \$1,378 thousand and \$1,226 thousand, respectively.
- c. The change in average employee salaries was adjusted by 12.4%.

Note 3: The Company did not have supervisors for the year ended December 31, 2021 and 2020. Therefore, there was no remuneration to supervisors.

- Note 4: a. Directors

According to the Articles of Association, remuneration for directors shall be paid in cash. The method and ratio for the payment of remuneration shall be determined by the board of directors subject to the attendance of more than 2/3 of directors and the consent of more than half of the directors present, and reported to the shareholders' meeting.

- b. Management personnel and employees

According to the Articles of Incorporation of the Company, the remuneration of directors shall be paid in cash. The method of payment and the ratio of remuneration to the directors shall be determined by the board in a session with the presence of at least two-thirds of the directors and a simple majority of the directors in session, and reported to the shareholder's meeting.

According to the Company's salary structure, the remuneration policies of management personnel and employees are composed of fixed remuneration (base salary, meal allowance, duty allowance) and floating remuneration (performance bonus, share compensation), etc. The Company pays the remuneration based on the authority and responsibility and the contribution to the Company. Apart from the overall operation performance and the future development of industry, the payment of remuneration is also subject to the personal performance and contribution.

Where the Company made a profit in the fiscal year, refer to Note 18(d) for further regulations in the Articles of Incorporation.

In conclusion, the remuneration policies for directors, management personnel, and employees had considered the operation performance of the year and future risk, to achieve the balance between corporate sustainability and risk management.