



E INK HOLDINGS INC.  
2015 Annual Report



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### ■ SPOKEPERSON / DEPUTY SPOKEPERSON

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### ■ STOCK LISTING

The company's common stock is list on the Taiwan's Gretai Securities Market : 8069  
Common Share Transfer Agent & Registrar: SinoPac Securities  
3F, 17 Po Ai Rd., Taipei, Taiwan, R.O.C.  
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### ■ INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Deloitte & Touche  
12F, 156 Min Sheng E Road, Sec. 3, Taipei, Taiwan, R.O.C.  
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<http://www.deloitte.co.tw>

### ■ NAME OF INTERNATIONAL PUBLIC SECURITIES EXCHANGES AND HOW TO GET INFORMATION ABOUT SECURITIES TRADED THERE

Trading house: Luxembourg Stock Exchange  
Inquiry method: bloomberg  
website <http://www.bourse.lu/>

# COMPANY MILESTONES

**Date of Establishment : June 16th, 1992**

## Milestones in the Company's History:

- Sept 2000 Monthly production capacity reached 18,000 substrates.
- Oct 2000 Securities & Futures Information Center issued authorization for public offering.
- Sept 2001 Expanded its monthly production capacity to 36,000 substrates.
- Oct 2001 Acquired ISO 9001 certification.
- Apr 2002 Taiwan's Investment Commission approved the company's plan to set up a PRC subsidiary, Transcend Optronics (Yangzhou) Co Ltd, through a third region investment entity.
- Jul 2002 Acquired QS-9000 Certification for product quality, ISO 14001 Certification for environmental standards, and OHSAS 1800 Certification for occupational health and safety management systems.
- Feb 2003 Listed its shares on Taiwan's Emerging Stock Market.
- Oct 2003 Applied for its shares to be listed on Taiwan's GreTai Securities Market (GTSM).
- Jan 2004 GTSM approved the company's application for its shares to be listed.
- Mar 2004 Commenced trading on the GTSM on March 30, 2004.
- Nov 2004 Taiwan's Investment Commission approved the company's application for indirect investment in Rich Optronics (Yangzhou) Co Ltd in PRC through a third region investment entity.
- May 2005 Partnered with Philips in EPD (Electronic Paper Display) business.
- May 2006 Executed the 1<sup>st</sup> treasury stock repurchase and retired 296,000 issued shares.
- Oct 2006 Established US subsidiary to expand sales network in the America.
- May 2007 Signed a technology and patent licensing agreement with Company A.
- Nov 2007 Signed a merger memorandum with BOE Hydis Technology of South Korea.
- Jul 2008 Officially acquired share ownership of Hydis Technologies.
- Jun 2009 Signed agreement to acquire 100% share ownership of E Ink Corporation (EIC) USA.
- Sept 2009 Signed amended agreement for the 100% share transfer with EIC and shareholder representatives to obtain 100% share ownership of EIC, effective December 23<sup>rd</sup>, 2009.
- Dec 2009 Hydis Technologies signed corporate bond purchase agreement, guarantee agreement, investment agreement and cross-licensing agreement with LG Display of Korea.
- May 2010 Taiwan's Investment Commission approved the company's application to establish Transyang Electronics (Yangzhou) Ltd through a third region investment entity.
- Jun 2010 Changed English name of the company to "E Ink Holdings Inc.".
- Nov 2010 The company's latest EPD product, E Ink Pearl™, won the Popular Science award for "Best of What's New 2010".
- Dec 2010 Won Printed Electronics Awards at The 4<sup>th</sup> IDTechEx, USA.
- Jan 2011 Approved by the Investment Commission to invest in the Chuanyuan Electronics (Yangzhou) Co., Ltd. in Mainland China through a third-location investment vehicle.
- Mar 2011 The company's Board of Directors passed a resolution for a second treasury stock repurchase to be used for employee motivation programs.
- May 2011 The E Ink Triton™ EPD was awarded by the SID as the Best Display Component of Year 2011.
- May 2011 The departments without operational lead roles but with an investment purpose of our subsidiary Yong Yu Investment Co., Ltd. under our Company will be spun off and be incorporated in newly established Kai Yu Investment Co., Ltd., in order to strengthen the division of labor in the management of this subsidiary and improve its return on investment.
- Jul 2011 Partnered with Chunghwa Picture Tubes Ltd. by subscribing to the unsecured convertible bonds from its non-public offering with amount NT\$1.5B after approved by the board of directors.
- Oct 2011 The E Ink Triton™ EPD won 2011 Technology Innovation Award issued by Wall Street Journal, USA.
- Oct 2011 Subscribed to newly issued Hydis corporate bonds amounting to US\$30,500,000 to strengthen Hydis' financial healthy and structure and enrich the capital required for its operations.
- Nov 2011 The E Ink Pearl™ EPD won 2011 Innovation Awards for Electronics issued by IET, UK.
- Nov 2011 Terminated the joint investment in Hydis with LG Display under a mutual agreement. Hydis redeemed its corporate bonds held by LG Display and relieved all the guarantee contracts related with said bonds.
- Jun 2012 The next generation E Ink high performance EPD won the Fifteenth Excellent Optical Product Prize from the Photonics Industry & Technology Association.
- Jun 2012 The high contrast E Ink Pearl™ EPD won the Eleventh Surface Display Component Product Technology Prize's Excellent Component from the Image Display Industry Advancement Office, Industrial Development Bureau of the Ministry of Economic Affairs.
- Jul 2012 E Ink Holdings Inc. and its Korean subsidiary, Hydis Technologies Co., Ltd entered patents cross-licensing agreement with Company B.
- Oct 2012 E Ink Holdings Inc. and its Korean subsidiary, Hydis Technologies Co., Ltd entered patents cross-licensing agreement with Company C.
- Nov 2012 E Ink Holdings Inc completed the purchase of SiPix Technology, Inc. and its wholly owned subsidiary SiPix Imaging, Inc. (USA)
- Dec 2012 E Ink Holdings Inc. and its Korean subsidiary, Hydis Technologies Co., Ltd entered patents cross-licensing agreement with Company D.
- Jan 2013 E Ink Holdings Inc. bought facilities and equipments from its subsidiary, Sipix at Linkou, to integrate production capacity in Taiwan and to improve assets utilization.
- May 2013 E Ink Holdings won the Best in Show award for 2013 from the Society of Information Display (SID) of the United States.
- May 2013 E Ink Spectra™ released. Spectra is the world's only electronic paper display capable of displaying three colors of red, black, and white.
- June 2013 E Ink Triton™, the all-functional color EPD, received the 16th Outstanding Optical Electronic Product Award from the Photonics Industry and Technology Development Association (PIDA).
- Nov 2013 The company's Korean subsidiary Hydis Technologies Co., Ltd. signed a patent exchange authorization agreement with Company E.
- Apr 2014 The company's Korean subsidiary Hydis Technologies Co., Ltd. signed a patent exchange authorization agreement with Company F.
- Jun 2014 The E Ink Spectra™ three-pigment EPD won the 17<sup>th</sup> Outstanding Optoelectronic Product Award from the Photonics Industry & Technology Development Association (PIDA).
- Dec 2014 Won the SEMI Standards Contribution Award from SEMI Taiwan.
- Jan 2015 Launched the programmable color and pattern EPD technology: E Ink Prism™.
- Aug 2015 Won the "Best Technology Award at the 14<sup>th</sup> Gold Panel Awards organized" by the Taiwan Display Union Association for the wireless power transfer (WPT) electronic paper display (EPD).
- Dec 2015 Subsidiary Hydis Technologies Co., Ltd. in South Korea signed the patent mutual licensing agreement with Company G.
- Jan 2016 The Joan Meeting Room Assistant system co-developed by E Ink and partner Visionect won the CES Innovation Award 2016.



台灣精品  
2016





# LETTER TO THE SHAREHOLDERS

Dear Shareholders,

Below you will find some highlights of E Ink Holdings' 2015 business report and some operational highlights for the year 2016.

## 2015 Business Report

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

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

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

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



2015  
GOLD PANEL  
AWARDS



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

## Operation Highlights in 2016

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

### (1) Strengthen the integration of production and R&D to improve production yield.

With the goal of "developing forward-looking technologies", the Company continues its goal and R&D efforts to develop critical EPD technologies. We have achieved breakthroughs in a number of areas such as front light, touch, flexible and color EPD, and have been adopted in a number of different market applications. As product applications continue to diversify, the Company will establish integrated plans between product management and technical operations to deliver products that are more competitive, better fit the demands of diversified markets, and meet customer product requirements.

### (2) Introduce lean production to improve production efficiency

The Company will introduce lean operation techniques not only in production , but also in R&D, product management, and operational units. This will improve production efficiency and optimize cost. We believe this can result in improved product quality, reduced manufacturing time, and a reduction in labor required per unit produced.



### (3) Revitalize idle assets

For production lines that are not running efficiently and may contain idle assets, the Company will adopt a number of projects to revitalize assets and enhance operational efficiency.

### (4) Actively establish the EPD ecosystem

In order to achieve our goal of increasing revenue and profits a complete ecosystem is needed to support EPD designs. To achieve this, the Company is moving aggressively to form a strategic partnerships with upstream and downstream suppliers; companies in related markets and applications; and promote technology exchange with major component suppliers. The Company will also collaborate with chip suppliers in a joint effort to develop new chip designs to make EPD products more price competitive and more easy to design-in.

### (5) Continue to promote new products and application markets

The Company will continue to develop new markets in digital signage, architecture and other high value-add applications. We will collaborate with leading brands, system integrators, channel distributors, and architecture designers to expand our business and markets. We believe this will become a main driving forces for future profits.

## Prospect

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

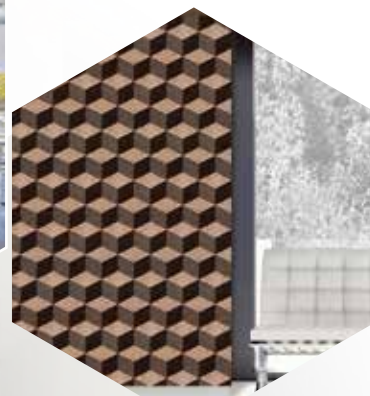
In 2016, the Company will strive to improve operational efficiency and allocate more R&D resources. We will continue our efforts in product and technology innovation to create greater value for our customers. With strong support from our staff, suppliers, customers, and partners, we believe we will execute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



*Mr. Jen Ko*

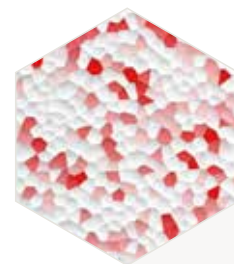
Chairman & CEO







# FINANCIAL HIGHLIGHTS



## Condensed Balance Sheet

Unconsolidated

Unit : NT\$ thousands

Item \ Year	2011	2012	2013	2014	2015	For the Year Ended 31/03/2016
Current Assets	Not applicable	13,944,015	12,999,748	7,906,308	5,719,032	Not applicable
Property, plant and equipment		1,498,249	2,064,620	1,994,224	1,770,660	
Intangible assets		49,790	45,038	106,479	123,694	
Other Assets		29,132,178	27,551,124	28,533,208	25,598,659	
Total Assets		44,624,232	42,660,530	38,540,219	33,212,045	
Current Liabilities		16,235,979	12,957,305	10,039,589	6,507,735	
Before Distribution						
After Distribution		16,235,979	12,957,305	10,039,589	(Note)	
Non-current Liabilities		4,545,900	3,934,138	1,867,104	24,499	
Total Liabilities		20,781,879	16,891,443	11,906,693	6,532,234	
Before Distribution						
After Distribution		20,781,879	16,891,443	11,906,693	(Note)	
Equity Attributable to Shareholders of the Parent		23,842,353	25,769,087	26,633,526	26,679,811	
Share Capital		10,809,897	11,409,897	11,404,677	11,404,677	
Capital Surplus		9,686,700	10,073,700	10,071,578	10,071,578	
Retained Earnings		3,855,157	3,669,033	3,616,465	4,122,865	
Before Distribution						
After Distribution		3,855,157	3,669,033	3,616,465	(Note)	
Other equity		(483,507)	642,351	1,540,806	1,080,691	
Treasury shares		(25,894)	(25,894)	-	-	
Non-Controlling Interests		-	-	-	-	
Total Equity		23,842,353	25,769,087	26,633,526	26,679,811	
Before Distribution						
After Distribution		23,842,353	25,769,087	26,633,526	(Note)	

Note: Pending for shareholders' meeting resolution

Consolidated

Unit : NT\$ thousands

Year		2011	2012	2013	2014	2015	For the Year Ended 31/03/2016
Item		Not applicable	18,520,690	14,216,444	15,882,253	13,730,805	13,975,039
Current Assets			10,194,178	9,835,142	9,041,082	6,497,167	6,094,297
Property, plant and equipment			10,267,299	9,797,804	9,675,994	9,461,830	9,392,633
Intangible assets			6,933,453	6,235,705	4,354,523	3,735,424	3,969,542
Other Assets			45,915,620	40,085,095	38,953,852	33,425,226	33,431,511
Total Assets			14,945,285	8,561,571	9,112,824	6,036,805	6,473,977
Current Liabilities	Before Distribution		14,945,285	8,561,571	9,112,824	(Note)	(Note)
	After Distribution		7,187,691	5,971,409	3,328,026	804,891	709,624
Non-current Liabilities			22,132,976	14,532,980	12,440,850	6,841,696	7,183,601
Total Liabilities	Before Distribution		22,132,976	14,532,980	12,440,850	(Note)	(Note)
	After Distribution		23,842,353	25,769,087	26,633,526	26,679,811	26,331,886
Equity Attributable to Shareholders of the Parent			10,809,897	11,409,897	11,404,677	11,404,677	11,404,677
Share Capital			9,686,700	10,073,700	10,071,578	10,071,578	10,071,578
Capital Surplus			3,855,157	3,669,033	3,616,465	4,122,865	3,850,780
Retained Earnings	Before Distribution		3,855,157	3,669,033	3,616,465	(Note)	(Note)
	After Distribution		(483,507)	642,351	1,540,806	1,080,691	1,004,851
Other equity			(25,894)	(25,894)	-	-	-
Treasury shares			(59,709)	(216,972)	(120,524)	(96,281)	(83,976)
Non-Controlling Interests			23,782,644	25,552,115	26,513,002	26,583,530	26,247,910
Total Equity	Before Distribution		23,782,644	25,552,115	26,513,002	(Note)	(Note)
	After Distribution						

Note : Pending for shareholders' meeting resolution

## Condensed Statement of Income

Unconsolidated

Unit: NT\$ thousands (Except EPS: NT\$)

Item \ Year	2011	2012	2013	2014	2015	For the Year Ended 31/03/2016
Operating Revenue	Not applicable	13,359,855	14,427,628	12,461,581	12,501,126	Not applicable
Gross Profit		1,124,952	1,293,885	919,055	1,973,787	
Income from Operations		1,489	59,302	(486,906)	511,724	
Non-operating Income and Expenses		(568,143)	(16,413)	458,895	122,021	
Profit (Loss) Before Income Tax		(566,654)	42,889	(28,011)	633,745	
Net Income (Loss)		(748,222)	29,303	13,476	539,330	
Other comprehensive income (loss), net of income tax		(143,924)	1,131,137	939,451	(483,569)	
Total Comprehensive Income (Loss)		(892,146)	1,160,440	952,927	55,761	
Earnings (Loss) Per Share(Note)		(0.69)	0.03	0.01	0.47	

Note : Based on weighted average shares outstanding in each year

Consolidated

Unit: NT\$ thousands (Except EPS: NT\$)

Item \ Year	2011	2012	2013	2014	2015	For the Year Ended 31/03/2016
Operating Revenue	Not applicable	26,704,782	18,905,129	13,498,720	13,306,503	2,503,403
Gross Profit		2,819,788	3,018,681	3,049,866	4,148,730	738,289
Income from Operations		(1,448,408)	(1,648,317)	(1,388,942)	(449,217)	(494,928)
Non-operating Income and Expenses		813,411	1,436,827	2,955,409	3,196,182	328,439
Profit (Loss) Before Income Tax		(634,997)	(211,490)	1,566,467	2,746,965	(166,489)
Net Income (Loss) From Continuing Operations		(1,082,407)	(36,009)	1,942,431	2,429,173	(237,192)
Net Income (Loss) From Discontinuing Operations		-	-	(1,888,222)	(1,861,568)	(26,161)
Net Income (Loss)		(1,082,407)	(36,009)	54,209	567,605	(263,353)
Other comprehensive income (loss) ,net of income tax		(140,248)	1,117,883	934,274	(481,085)	(72,267)
Total Comprehensive Income (Loss)		(1,222,655)	1,081,874	988,483	86,520	(335,620)
Total Net Income Attributable to Shareholders of the Parent		(748,222)	29,303	13,476	539,330	(272,085)
Total Net Income Attributable to Shareholders of the non-controlling interests		(334,185)	(65,312)	40,733	28,275	8,732
Total Comprehensive Income Attributable to Shareholders of the Parent		(892,146)	1,160,440	952,927	55,761	(347,925)
Total Comprehensive Income Attributable to Shareholders of the non-controlling interests		(330,509)	(78,566)	35,556	30,759	12,305
Earnings (Loss) Per Share(Note)		(0.69)	0.03	0.01	0.47	(0.24)

Note : Based on weighted average shares outstanding in each year

## Auditors' Opinions from 2010 to 2014

Year	CPA Firm	CPA	Audit Opinion
2011	Deloitte & Touche	Chih-Ming Shao, Shu-Wan Lin	A Modified Unqualified Opinions
2012	Deloitte & Touche	Shu-Wan Lin, Cheng Hung Kuo	A Modified Unqualified Opinions
2013	Deloitte & Touche	Shu-Wan Lin, Ya Ling Wong	A Modified Unqualified Opinions
2014	Deloitte & Touche	Shu-Wan Lin, Ya Ling Wong	A Modified Unqualified Opinions
2015	Deloitte & Touche	Ya Ling Wong, Chih-Ming Shao	A Modified Unqualified Opinions

## Financial Analysis

### Unconsolidated

Item \ Year		2011	2012	2013	2014	2015	For the Year Ended 31/03/2016
Capital Structure Analysis (%)	Debt Ratio	Not applicable	46.57	39.60	30.89	19.67	Not applicable
	Long-term Fund to Fixed Assets Ratio		1,894.76	1,438.68	1,429.16	1,508.16	
Liquidity Analysis	Current Ratio (%)		85.88	100.33	78.75	87.88	
	Quick Ratio (%)		81.22	88.60	68.36	71.17	
	Times Interest Earned		(5.37)	1.33	0.73	17.95	
Operating Performance Analysis	Average Collection Turnover		1.84	1.90	2.33	3.78	
	Days Sales Outstanding		198	191	157	97	
	Average Inventory Turnover		10.00	12.41	9.63	11.61	
	Average Inventory Turnover Days		1.14	1.16	1.41	2.06	
	Average Payment Turnover		36	29	38	32	
	Property, Plant and Equipment Turnover		8.92	6.99	6.14	6.64	
	Total Assets Turnover		0.30	0.33	0.31	0.35	
Profitability Analysis	Return on Total Assets (%)		(1.53)	0.26	0.25	1.64	
	Return on Equity Attributable to Shareholders of the Parent (%)		(2.89)	0.12	0.05	2.02	
	Pre-tax Income to Paid-in Capital Ratio (%)		(5.24)	0.38	(0.25)	5.56	
	Net Margin (%)		(5.60)	0.20	0.11	4.31	
	Earnings Per Share		(0.69)	0.03	0.01	0.47	
Cash Flow (%)	Cash Flow Ratio		18.79	(14.58)	(1.54)	(14.35)	
	Cash Flow Adequacy Ratio		139.38	103.84	99.62	56.34	
	Cash Flow Reinvestment Ratio		(0.51)	(4.91)	(0.42)	(2.66)	
Leverage	Operating Leverage		197.27	5.91	0.38	1.57	
	Financial Leverage		(0.02)	(1.50)	0.82	1.14	

## Consolidated

Item \ Year		2011	2012	2013	2014	2015	For the Year Ended 31/03/2016
Capital Structure Analysis (%)	Debt Ratio	Not applicable	48.20	36.26	31.94	20.47	21.49
	Long-term Fund to Fixed Assets Ratio		304.39	322.73	331.39	423.03	443.72
Liquidity Analysis (%)	Current Ratio		123.92	166.05	174.28	227.45	215.86
	Quick Ratio		97.35	125.12	149.10	200.74	186.16
	Times Interest Earned		(0.62)	0.15	(1.43)	10.68	(34.11)
Operating Performance Analysis	Average Collection Turnover		3.23	3.65	4.51	6.62	6.79
	Days Sales Outstanding		112	99	81	56	54
	Average Inventory Turnover		5.21	4.82	4.03	5.36	4.59
	Average Inventory Turnover Days		4.44	4.10	5.11	7.12	6.03
	Average Payment Turnover		70	75	91	69	80
	Property, Plant and Equipment Turnover		2.67	1.89	1.43	1.71	1.59
	Total Assets Turnover		0.58	0.44	0.34	0.37	0.30
Profitability Analysis	Return on Total Assets		(1.27)	0.41	0.36	1.69	(0.79)
	Return on Equity Attributable to Shareholders of the Parent		(2.89)	0.12	0.05	2.02	(1.03)
	Pre-tax Income to Paid-in Capital Ratio		(2.78)	(1.28)	(3.18)	7.52	(3.01)
	Net Margin		(2.80)	0.16	0.10	4.05	(10.87)
	Earnings Per Share		(0.69)	0.03	0.01	0.47	(0.24)
Cash Flow (%)	Cash Flow Ratio		35.52	34.14	46.10	39.26	13.83
	Cash Flow Adequacy Ratio		87.97	113.14	145.39	155.44	217.17
	Cash Flow Reinvestment Ratio		4.08	5.55	8.07	6.86	2.63
Leverage	Operating Leverage		(0.42)	(0.25)	(0.41)	(2.71)	0.32
	Financial Leverage		0.88	0.90	0.90	0.84	0.98

## 1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

## 2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

## 3. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets



#### 4. Profitability Analysis

- (1) Return on Total Assets =  $(\text{Net Income} + \text{Interest Expenses} * (1 - \text{Effective Tax Rate})) / \text{Average Total Assets}$
- (2) Return on Equity attributable to Shareholders of the Parent =  $\text{Net Income Attributable to Shareholders of the Parent} / \text{Average Equity Attributable to Shareholders of the Parent}$
- (3) Pre-tax Income to Paid-in Capital Ratio =  $\text{Income before Tax} / \text{Paid-in Capital}$
- (4) Net Margin =  $\text{Net Income} / \text{Net Sales}$
- (5) Earnings Per Share =  $(\text{Net income attributable to Shareholders of the Parent} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding}$

#### 5. Cash Flow

- (1) Cash Flow Ratio =  $\text{Net Cash Provided by Operating Activities} / \text{Current Liabilities}$
- (2) Cash Flow Adequacy Ratio =  $\text{Five-year Sum of Cash from Operations} / \text{Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend}$
- (3) Cash Flow Reinvestment Ratio =  $(\text{Cash Provided by Operating Activities} - \text{Cash Dividends}) / (\text{Gross Property, Plant and Equipment} + \text{Longterm Investments} + \text{Other Noncurrent Assets} + \text{Working Capital})$

#### 6. Leverage

- (1) Operating Leverage =  $(\text{Net Sales} - \text{Variable Cost}) / \text{Income from Operations}$
- (2) Financial Leverage =  $\text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expenses})$

# COMPANY INTRODUCTION

E Ink Holdings Inc. started in 1992 and manufactures Electronic Paper (ePaper based on Electrophoretic technology) and TFT LCD (Thin Film Transistor based Liquid Crystal Display). E Ink is the world leader in the global ePaper industry and one of the High-Tech Subsidiaries of the YFY Group.

The YFY Group includes the largest professional paper manufacturing company in Taiwan, and was the first in the Greater China region to establish an R&D center for paper manufacturing.

The founding of E Ink Holdings began with the YFY Group's rich history in paper manufacturing and the ancient Chinese history of paper inventions. In the early 1990's, Mr. SC Ho, the founder of YFY group, realized that digital publishing was an inevitable trend and that paper and printing might eventually be replaced by paperless electronic devices. He tasked his team to find new technologies to bridge the gap between the printed page and digital content and delivery methods. This led to investments by the YFY Group in LCD technology and the continued research into future display technologies that could realize this vision.

In 1992 E Ink Holdings Inc. (formerly Prime View International) was established as the first TFT LCD company in Taiwan, focusing on high quality small-to-medium-sized TFT LCDs. In 2002 E Ink Holdings established Transcend Optronics in YangZhou, China in order to match the increasing demand in the TFT LCD industry.

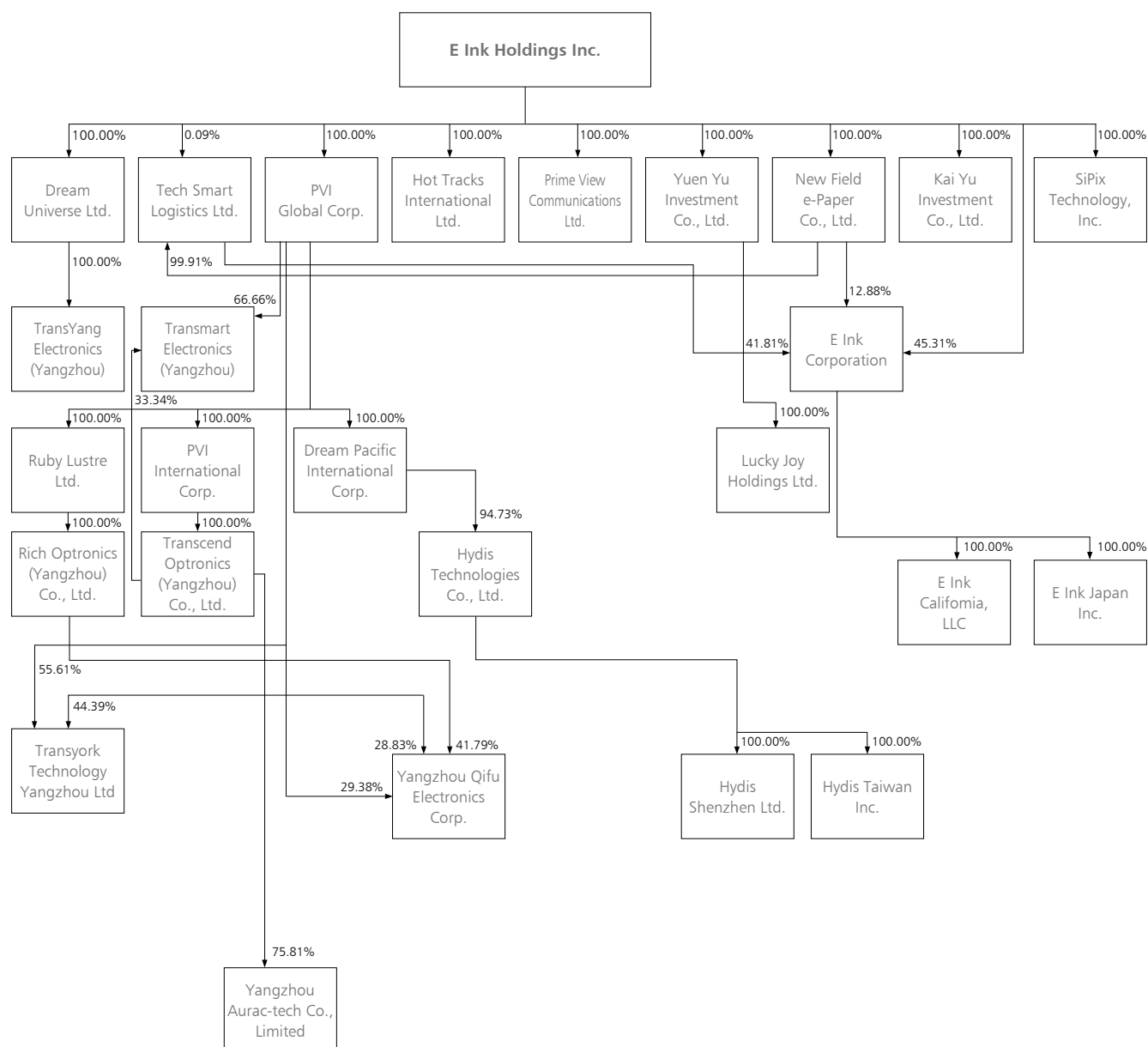
In 1997, E Ink Corporation was spun out of the MIT Media Lab to commercialize electronic ink and ePaper technology using TFTs from Philips Electronics. Seeing the potential of this new display medium, in 2005 E Ink Holdings acquired the ePaper business unit from Philips, and together with E Ink Corporation, launched the first EPD eBooks into the market. To increase capacity as the eReader market expanded, E Ink Holdings merged with the Korean TFT LCD company, Hydis Technologies, in 2008. In 2009, YFY Group authorized the acquisition of E Ink Corporation by E Ink Holdings to further integrate and expand the ePaper supply chain.

The demand for ePaper has increased dramatically thanks to the booming eReader industry. With the leading ePaper technology, high quality products and outstanding supply chain, E Ink Holdings is now the world's leading supplier of ePaper modules to global top tier eReader brand names like Amazon, Sony, Hanvon, Barnes & Noble, and has a global market share of 90+%.

E Ink Holdings' corporate philosophy aims to deliver revolutionary products, excellent user experiences, and environmental benefits through advanced technology development.

With new products like color, flexible, and touch-enabled ePaper, E Ink Holdings will lead the ePaper industry into a new era.

# AFFILIATES AND SUBSIDIARIES



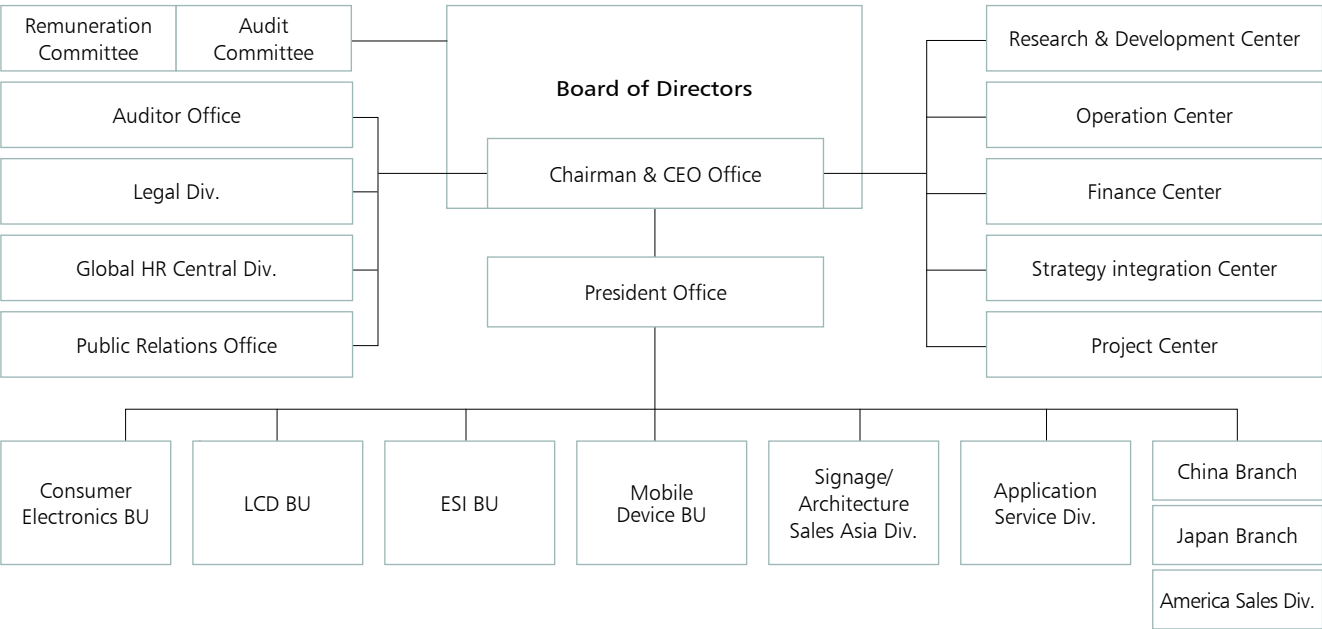




# COMPANY ORGANIZATION

## E Ink Group

2015.12.31



## OFFICE AND FUNCTIONS

### ● Chairman&CEO's Office and President's Office (including Auditor Office, Legal Division, Global HR Central Division, and Public Relations Office)

Planning and implementation of corporate strategy and internal controls; legal affairs administration; and planning and management of document control; Planning and execution of human resources and public affairs; planning and implementation of industrial safety and environmental protection; building corporate image and media contact; and organization, planning, and execution of public relation affairs such as international exhibitions and product promotional activities.

### ● R&D Center

Technology innovation, research and development of EPD and implementation of mass production, including EPD research and development; patent deployment and planning; the design and the research and development of process technology of cutting-edge panels; development of the process technology of new platforms and modules; and the introduction of key materials, parts, and components. Provision of the reference design of terminal applications and products for customers; development of EPD system products; and assistance for customers to quickly design and implement mass production.

### ● Operation Center

Planning and implementation of process analysis and production management, procurement planning and implementation of raw materials, equipment and projects; raw material demand planning; bonded product and logistics management; quality and reliability assurance of raw materials and products; management and implementation of production plans; planning and implementation of process analysis and production management of in-process products.

### ● Finance Center

Finance, accounting, IT planning and new IT Implementation, planning and implementation of business administration.

### ● Strategy Integration Center

New product verification, product management and planning, and implementation of the product management platforms of all business units.

### ● Project Center

Planning long-term development and strategies for the non-display application of products based on the internal materials, structures, and process technology of e-ink.

### ● CE BU

Sales and cultivation of customers and markets of e-Reader/e-Note EPD products. Solving and analysis of relevant problems in customer projects; and discussion, production, and provision of technical documents.

### ● LCD BU

LCD sales; customer and business cultivation, operation, and supervision; support of mass production verification and product development for customers.

### ● ESI BU

R&D, design, manufacture, and sale of ESL, smart card, and industrial products.

### ● MD BU

The design of mobile phone and wearable products; provision of total solutions; development of the mobile device ecosystem and product sales; assistance for customers on product planning and design and implementation of mass production.

## MANAGEMENT TEAM

TITLE / OFFICE	NAME	On-board Date (Note)
Chairman & CEO	Frank Ko	02-12-2013
President	Johnson Lee	01-03-2008
Chief Technology Officer	C. C. Tsai	01-08-2014
Vice President(Auditor Office)	Mico Yu	06-02-2012
Vice President(Operation Center)	Luke Chen	01-10-2010
Vice President(Product Development Central Div.)	James Hong	15-03-2010
Vice President(Advanced Technology Research Central Div.)	Yung-Sheng Chang	01-02-1996
Assistant Vice President (Finance Center)	Lloyd Chen	15-01-2010

TITLE / OFFICE	NAME	On-board Date (Note)
Assistant Vice President (CE BU)	Jeff Chang	07-06-2011
Assistant Vice President(FPL MFG Central Div.)	Mano Lo	09-12-2013
Assistant Vice President (Product Development Div.)	Tung-Liang Lin	25-05-1995
Assistant Vice President (Legal Div.)	Suzanne Chou	10-12-2012
Assistant Vice President (Oversea Project)	Max Chen	01-02-2013
Lead Of Accounting (Finance Center)	James Huang	03-12-2013

Note: On-board date means the official date joining EIH.

## DIRECTORS AND SUPERVISORS

TITLE	NAME	Date Elected
Chairman & CEO	Representatives of YFY Inc. Frank Ko	18-06-2014
Director	Representatives of Aidatek Electorics Inc. Johnson Lee	18-06-2014
Director	Representatives of Aidatek Electorics Inc. Shou-Chung Ho	18-06-2014
Director	Representatives of Aidatek Electorics Inc. Felix Ho	18-06-2014
Director	Representatives of YFY Inc. Chuang-Chuang Tsai	18-06-2014
Director	Representatives of YFY Inc. Ching-Yuan Chang	18-06-2014
Independent Director	Ten-Chung Chen	18-06-2014
Independent Director	Biing-Seng Wu	18-06-2014
Independent Director	Chao-Tung Wen	18-06-2014



1.Chairman & CEO / Frank Ko 2. President / Johnson Lee 3.Chief Technology Officer / C.C. Tsai 4. Vice President (Operating Center) / Luke Chen 5.Assistant Vice President (Finance Center) / Lloyd Chen





# REVIEW OF OPERATIONS

## BUSINESS DESCRIPTION

### Main Business

E Ink Holdings' main business is the research, development, manufacture and sale of electronic displays using thin film transistors systems, and all processes associated with TFTs, particularly electronic paper displays (ePaper display, EPD), and the Thin Film Transistor Liquid Crystal Displays (TFT-LCD).

Sales from display product sales accounted for 89.85% of company revenue in 2015, with ESL and other products accounting for 10.15% of revenue.

### Main Products

E Ink Holdings has two main product categories. One category is ePaper display products which are mainly used for eReaders, electronic shelf labels (ESL), mobile phones, and watches. The second category is small and medium size TFT-LCD panels and modules under 12.1 inches. Main usages for TFT-LCDs are for niche market applications, such as vehicles and entertainment systems, ship and air navigation, security monitoring systems, medical instruments, video phones, cameras, portable DVDs, digital photo frames, pachinko, industrial instruments and POS.

### New Products and Services

- (1) In order to fulfill customer demands and to diversify into new applications, E Ink Holdings has established new EPD module product development plans based on the market feedback.
- (2) E Ink Holdings has strengthened the development of new products for the applications of IoT, mobile device, smart home and industrial display, etc.
- (3) E Ink Holdings has introduced new materials and new processes to develop new applications, to add new features to existing products in order to satisfy market demand, and to increase the competitiveness of EPD products.
- (4) E Ink Holdings has increased the level of international collaborations to develop new generation of low-power and low-cost displays as one of the key elements to achieve sustainable business growth.

E Ink Holdings will continue to deliver new products to the existing market. We will also integrate marketing, design and manufacturing capabilities to support the introduction of new technologies for new markets.

E Ink Holdings is committed to providing good technical service in major markets, such as US, China, Japan and Europe. This will enable fast and effective response, while gaining a better understanding of individual market needs. Through keen observation and innovative strategic thinking, we will be able to develop solutions that closely meet the market demands, also leading to sustainable corporate growth.



## INDUSTRY OVERVIEW

### Electronic Paper Display (EPD) Industry

Electronic paper was developed in the early 1970s. The basic electrophoretic technology, now known as electronic ink, was established at the Massachusetts Institute of Technology in 1969 when tackling the dying particle condensation problem with "micro capsulation technology". E Ink Corporation was founded in 1997 to commercialize electrophoretic ink. After several years of R&D, sample development and small scale production, electronic paper technology entered mass production in 2008.

As thin as ordinary paper and with a wide viewing angle, the electronic paper display (EPD) is extremely energy saving and bistable and can be viewed under strong light. Applications successfully developed with the EPD include e-readers, smart cards, smart electronic luggage tags, electronic tags, clocks, dual-screen LCD/EPD cellular phone, wearable bracelets/watches, signage and architecture. In addition to e-readers, the potential of other EPD applications has increasing customer production and market adoption. For example, the continuous growth of electronic shelf labels has led to the gradual acceptance of European and US retailers. As electronic shelf labels can be used on Internet of Things (IoT) in the long run and their future growth is promising.

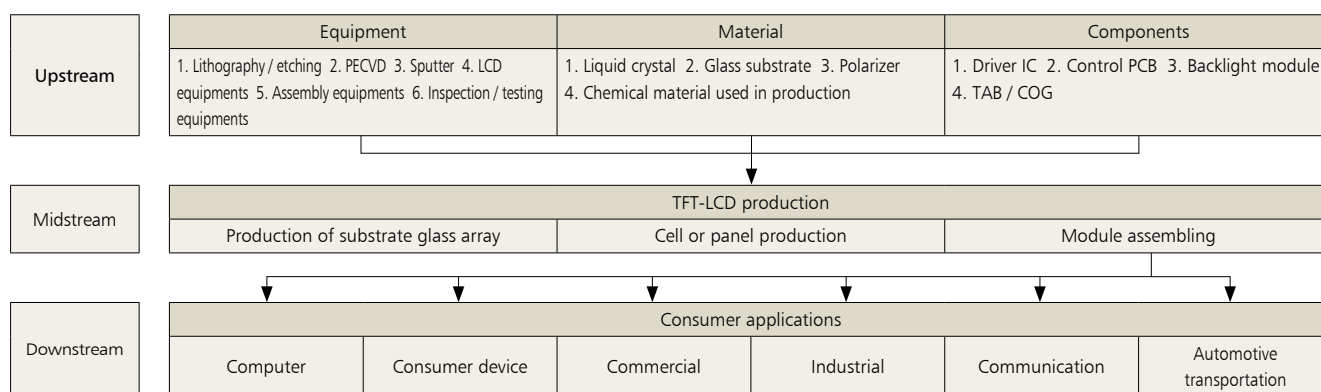
Other EPD applications include Intelligent e-Luggage Tag co-announced with Rimowa and Lufthansa, the SONY Digital Paper for the e-commerce and education markets, the world's first mass-produced dual-screen YotaPhone, the Sony smart bracelet with smartphone apps, the electronic shelf label integrating with system server for real-time price update, the Navit reader used at hospitals for medical record display, the fashionable Kisai Rorschach and Epson Smart Canvas EPD wristwatches, and the unique ClockOne home wall clocks. Thirty-two-inch large-size B/W and color EPDs are basically used for electronic billboards and information walls. Besides replacing LCD and LED panels, they are also solutions for green display technology. In addition, the new Prism can be used on different types of buildings, such as signage and architecture.

Apart from maintaining technology leadership, expanding patent deployment, and cultivating the e-paper industry, after integrating the personnel, technology, and resources of Billerica and Fremont, our e-paper market deployment will be more complete. Upon the steady growth in the e-reader market, we will continue our transformation toward the diversification and development of EPD applications, so as to become the leader of the global EPD industry.

### Status and development of the small and medium sized TFT LCD product

While smartphones and tablets keep integrating with the functions of other devices, they will surely continue to dominate the medium/small FPD market. The demand for automotive display is growing steadily in the medium/small FPD market. Unfortunately, a substantial decline of the medium/small FPD market down to 20% began in Q2 2015 as the mobile market dropped, and another 10% decline is still expected in Q1 2016. High definition and wide viewing angle will still be the major demands of automotive displays, and the demand for HUDs will grow significantly with the rise of safety awareness. It is expected that the proportion of medium/small FPDs in the automobile market will increase from 4% in 2015 to 6% in 2018.

### Upstream, Midstream and Downstream Flows in the Industry



Source: IT IS Project, ERSO and the Economy and Trading Center, ITRI

For electronic paper display production, E Ink Holdings relies on its own TFT production facilities, but it also outsources manufacturing to G5/G6 production lines. The electronic paper supply chain is composed of the upstream industry for electronic ink suppliers, midstream industry for module manufacturers, and the downstream industry for brand owners. E Ink Holdings takes on the role of upstream supplier as well as midstream manufacturer of panels and modules.

## Product Development Trends

### 1. Electronic Paper Display (EPD)

After acquiring Philips' EPD business in 2005, we officially started the mass production of 2D-EPD as of Q3 in 2005 based on the long-time experience in e-reader R&D with Philips and E Ink as well as our continuous cultivation of the medium/small FPD market over time. Our success in introducing EPD to the market has enabled major customers to launch new models every year.

As technology matures, we are aggressively developing large-size e-Reader and e-Note to meet the market demand. The e-Note is a 10.3-inch electronic display that supports writing, editing, and wireless transfer. Either in the education market or for business uses, it will build an energy-saving, eco-friendly, and paperless word-processing environment for people. In addition, the grip and viewing effects of large-size e-readers will be significantly improved. The current 6.8-inch, 7-inch, and 8-inch models are expected to create a new machine replacement trend.

### 2. TFT-LCD

Omni-application markets will be the main marketing strategy of the global TFT-LCD panel industry. Although we have previously targeted our TFT-LCD panels at the special application market, as strong price competition has started in the niche market, we have begun channeling customers to design and develop EPD applications. Starting from the niche TFT-LCD application market, including signage, traffic signs, sports equipment, bicycle and motorbike dashboards, price lists, medical devices, industrial displays, etc., all have turned from LCD to EPD applications. Product development capacity, technical support capacity, customization capacity, and long-term, close cooperation have become the focus of these customers.

### 3. Electronic Shelf Label

The electronic shelf label (ESL) is by far one of the best technologies that enable retailers to strengthen sales power and narrow the gap between O2O business models. In the past, people had a big concern on the ESL cost and thought it was hard to return on investment. However, with the advance in technology, research and markets, a market survey institute, would believe the ROI is usually reached in 18 to 24 months. Moreover, the life time of an ESL system can last 5-7 years. Recognizing this trend, smart retailers has begun deploying the ESL system, making it a standard feature of retail stores. The breadth and depth of smart retail thus increases continuously.

E-paper displays offer several benefits including thin and light, very low power consumption and paper-like. Compare to the traditional printed paper tag, Electronic Shelf Labels (ESL) offer retailers the ability to wirelessly update content on shelving signage quickly and efficiently, without the need to print paper tags or to deploy multiple employees to change them manually. Automated ESL systems reduce pricing management labor costs, improve pricing accuracy and allow dynamic pricing. Dynamic pricing is the concept in which retailers can fluctuate pricing to match demand, online competition, inventory levels, shelf-life of items, and to create promotions. Bi-stability, one of the most important characteristics of electronic paper displays, means the electronic paper displays (EPDs) only consume power while updating the images and data. As long as the information on the EPD is unchanged, no power is consumed. This helps satisfy the current trend for energy saving and greatly lower the cost for electronic labels in supermarkets. Additionally, EPD has a wide viewing angle almost reach 180-degree comparing to other displays so the data on the EPDs can still be seen from any angles. For example, during the Double 11 Festival (November 11, literally Bachelor's Day) of China, a leading electrical appliances retailer needs to finish updating a total of 15 million price tags within three days. In addition to the high error rate and low efficiency of manual work, the waste of paper tags will bring a huge environmental impact. With the electronic shelf label, however, they can update all price tags in real time and more accurately. In order to meet the demand for electronic labels, E Ink have also developed low temperature electronic paper display for goods stored in fridges or freezers as well as Spectra™ e-paper (black, white and red) and Spectra™ Yellow (black, white or yellow) EPDs that retailers can offer promotional pricing that responds to their customer traffic patterns (price optimization). In the near future, E Ink will launch the low-voltage-operated e-paper tag. Compared to the supermarket chains using wireless transmission, this battery-free solution will be more suitable for smaller shops operation without the effort of remodeling or installing additional hardware. All it needs is a NFC-supported mobile phone to update shelf label contents at any time.

### 4. Smart Display Card

Statistics show that the total loss from credit card fraud with a 6% annual growth in Europe and the USA ranged from US\$4 million to US\$10 million. Most card fraud cases occur due to "Card Not Present" (CNP). That is, CNP is the result of online shopping or contactless transactions. To maintain service quality and strengthen security authentication, card-issuing banks are taking intensive actions to find effective solutions. In the last couple of years, both Oberthur and Gemalto have developed dynamic CVV/CVC credit cards using the OTP concept and experimented with it on customers. The EPD is thus considered the ideal display for its light, slim, bistable, break and bend resistant, and

high-contrast characteristics and extensively use for such purpose. After the experimental stage, it is expected that the minimum demand will be one million pieces a year and the demand will increase steadily each year. Furthermore, the Mobius series completed at the end of 2015 has received critical acclaim worldwide for its ultrathin, flexible, and high-resolution characteristics. Therefore, manufacturers have begun developing all-in-one products to combine credit cards, membership cards, and point collection cards into one single piece. They even plan to combine the discount barcode display function to optimize the product functions. It is estimated that a number of manufacturers will complete the design and verification of relevant smart card products in 2016 to trigger the war of card product innovation. The China market and emerging countries will become part of the major customer groups which will direct more R&D resources.

## 5. Luggage/Logistic Tag

With its bistability, reflectivity, low power consumption, wide viewing angle near 180°, sunlight readable, flexibility, and pressure resistance characteristics, the EPD has gradually become the total solution of luggage and logistic tags for European, US, and Japanese airlines and logistics industries. Take the air transportation industry for example. As over three billion people are traveling by air across the world, airlines need to spend billions of dollars to compensate for the luggage loss of passengers each year. Therefore, how to effectively trace luggage and reduce labor, resource, and paper expenses have become an issue needed urgent solution of the air transportation industry. System solutions can combine EPDs and wireless transmission technology such as Bluetooth or NFC to transmit and receive the ID code and information of the corresponding flight and display the passenger and flight information on the tag to ensure luggage traceability. In order to solve the luggage transport problems of airlines, E Ink co-announced an EPD embedded suitcase with world-leading suitcase manufacturer RIMOWA in November 2015. This product integrating suitcase, aviation, telecommunication, and high-tech industries has opened a new chapter for future travel. In the logistics industry, as over billions of paper tags are used every year for logistics, to save labor, resources, and paper consumption and improve the performance of environmental protection, many logistics companies are figuring out a total solution replacing paper logistics tags with the EPD and combine EPD tags with wireless transmission for central control and monitoring of cargo delivery status. Given luggage/logistics EPD tags can save paper and resource consumption, reduce labor on paper tag replacement, and enhance luggage and cargo traceability and significantly reduce overall travel/logistics time and monetary cost and thereby speed up logistics operation, EPDs will become an unavoidable trend in the future of air transportation and logistics industries.

## 6. Smart Home

The smart home has become a global technology advancement trend! After acquiring NEST at US\$3.2 billion (approx. NT\$96 billion), Google immediately initiated the "Works with NEST" program. In the same year, Apple announced the Apple HomeKit to start a cross-industry (electronics, energy, and security) and cross-brand solution that integrates system electronics and appliances, blends mobile and convenient smart functions, links with the internet, and saves energy, so as to bring technology to a new level, thereby creating a revolution in modern technology and modern life. This new revolution even urges the evolution of traditional home appliances with new technology to make life more convenient, effectively save energy, and realize life with technology together. World-leading manufacturers including Intel, Google, Apple, and Microsoft; Taiwan-based ASUS; and Chinese brands such as MI, TCL, 360.com, Hisense, Qingdao Haier, Sichuan Changhong, Hefei Meiling, and Midea Group have turned to intelligent appliances to deploy the smart home.

Unlike conventional displays, the EPD is perfect for the new technology trend in modern times for its unique visual experiences, high contrast performance, and wide viewing angle to provide an ideal information display for new technology. EPD's outstanding bistability characteristic greatly appeals to the needs of energy saving of smart home. Its paper-like character also creates great visual experience to conform the living environment.

According to Business Insider, the smart home is a fast-growing market with a compound annual growth rate of up to 52%. Its global market scale will increase from US\$6.1 billion (approx. 400 million households) in 2015 to US\$4.09 trillion (approx. 1.8 billion households) in 2019. From the smartphone onward, new technology has changed lifestyles in all aspects. With the advancement of network infrastructure and big data transmission as well as the importance of energy saving, the eco-friendly e-paper display has earned increasing recognition on smart home application.

## 7. Internet of Things (IoT)

In 1999, MIT officially announced the Internet of Things (the IoT) when researching RFID applications in Auto-ID. Physical objects are connected with virtual data through data capture and communication over the global internet infrastructure to control, detect, identify and provide services. The term the IoT has since circulated extensively. Traditionally, internet users click or link one page to another to browse information through conscious interaction with websites and leave behavioral information. By contrast, the IoT can finish information collection before users are aware of it. Today, over five billion devices, including smartphones and personal computers, are used by over 6.7 billion people, thus creating tremendous business opportunities for the IoT. The Harbor Research survey shows that there will be over 10



billion O2O (online-to-offline) connections in 2020, with potential business opportunities worth over US\$1 trillion. It is estimated that the IoT market value in 2020 will reach US\$150 billion to US\$200 billion. Therefore, businesses are whetting their swords and bending their bows, ready to go! For its bistability and energy-saving characteristics, the EPD provides the best solution for power unavailability or high power-consumption applications and creates opportunities for cultivating brand new business models under the existing internet framework among businesses.

The power of the internet has overturned different trades: retail, education, finance, travel, transport, etc., and the IoT even re-defines the boundary of industries. The IoT makes daily life "more convenient" and "safer." In the future, everything we have been using will detect and predict our behavior via the IoT. For example, the air-con of your bedroom will raise the temperature, the security system will shut down, and the coffee-maker will brew coffee for you in the morning all automatically after the smart bracelet detects you have woke up and alerts the room air-con over the IoT. For example, Finnish coffee company Paulig launched its Muki mug which uses the thermoelectric effect to obtain adequate electricity to power an EPD, and the Muki is more than just an ordinary coffee mug. With a smartphone app and wireless transfer, users can display a personal photo on the coffee mug. In addition to innovation, there lies a potential business model and new form of data collection that can bring more to owners and consumers. In addition, Aichi Prefecture Hospital in Japan launched the e-registration service last summer with the IoT. Besides keeping track off their own registration information, patients can receive information regarding promotional activities of nearby stores through the wireless network and sensors. Apart from enhancing medical consultation satisfaction, the hospital increased income from non-medical practice. Thanks to the energy-saving EPD, the problem of charging thousands of registration cards at the same time was solved, and system realization was completed.

We believe that as relevant industry chains and technologies mature, including wireless charging, NFC, (optoelectric) thermoelectric conversion, and energy harvesting technologies, and service platforms popularize, and along with the bistability and energy saving characteristics of EPD, more new applications (such as smart home and luggage/logistics tags) and new business models will be created. Apart from the ubiquity of IoT, the EPD can be ubiquitous as well to create more business opportunities on the market and make human life more convenient.

## **8. Mobile Device**

The low power and always-on feature of EPD has been increasingly acknowledged in wearable and mobile applications. By combining with payment and sensor technology, EPD wearable are ready to enter more vertical markets. These markets include payment, healthcare and sports, launch with leading brands later this year. In smartphone segment, as total solutions have gradually been matured, Siswoo, Hisense will launch EPD phones in volume. In addition, Google has announced its Ara modular phone, and EPD module becomes a very attractive option to enhance use scenarios and user experience.

With advantages of low-power, excellent readability outdoors and flexible design, the potential of EPD has been widely recognized. The emerging wearable market keeps drawing attention from consumers all over the world. The constant technology improvement has enabled EPD into wider applications such as mobile phone, wrist-band, smartwatch and gaming devices by providing innovative features and enjoyable user experience. Leading companies including Google, Sony and Lenovo have launched various products equipped with EPD display.

## **9. Digital Signage**

Information that is accurate and available at the precise moment when it is needed is extremely valuable. The digital signage market has become a multi-billion dollar industry on the basis of this premise. E Ink is well positioned to serve this market by leveraging ePaper's inherent low power consumption, readability and bi-stability. E Ink launched its largest ever display measuring 32" diagonally that is designed specifically for the signage market at SID 2014.

Digital signage is very prevalent and is widely used in public transportation, gas stations, retail, education, healthcare, museums, libraries and many public spaces. E Ink is enabling solar powered signs that are easily readable and can be wirelessly updated over cellular networks. This allows digital information signs to be placed in remote locations or locations without access to power. Businesses and governments consider the environmental impact as a significant factor in making investments in digital signage. E Ink's ultra low power signs offer environmentally sustainable and green alternatives. E Ink's signs have simple system design with fewer components likely eliminating need for fans or air conditioning. This can enable signs that are thin, lightweight and easy to install. In some instances, signs can be installed within the existing infrastructure bringing tremendous value for end customer for rolling out digital signage faster and potentially lower installation costs. E Ink's signs also offer long reliability and are easy to maintain, as there are no moving parts.

Signage solutions are typically deployed for multiple years and total cost of ownership (TCO) is a key metric to determine ROI and expenses. E Ink's solutions offer low TCO owing to minimal electricity costs, simple installation, low maintenance and long reliability. E Ink's ePaper

displays enables Sustainable solutions with excellent readability and low Total Cost of Ownership (TCO). The appetite for information and digital signs and E Ink's strong value proposition in this market make an ideal scenario for significant revenue potential in the coming years.

E Ink has successfully deployed street signs in Sydney, Australia where a significant number of signs have been installed, and many more planned for this year, to provide information about parking regulations to commuters.

These signs are completely solar powered and are only made possible by the use of ePaper. In addition to this, E Ink is working with many system integrators and transportation authorities for trialing solar powered ePaper signs at bus stops to provide real time information about bus arrivals to help passengers plan their journeys. We are very excited about this opportunity as ePaper signs provide a unique solution for the end customers, especially where the signage location has no power available. There are multiple pilots and trials currently underway in public transportation, retail, museums, corporate and other applications that will help E Ink to grow digital signage business and further diversify company portfolio.

Demand for digital signage displays is being driven by Europe and North America as well as emerging economies in Asia and South America. Significant portions of signs are still paper based and static which is labor intensive to change. Digital conversion of these signs will also fuel growth. E Ink is well positioned to see continued growth and capitalize in Digital Signage marketplace.

## 10. Architecture

Architecture is an emerging application and a significant shift from traditional EPD markets. An entirely new medium has been made available to the architecture and design industry by combining the same e-paper technology with new pigment choices. Initially launched at CES 2015, E Ink Prism™ is a color-changing film that can be integrated with traditional architecture materials to create new and exciting design experiences.

Leveraging e-paper's attributes of bi-stability, flexible, reflective, and low power consumption with a color changing format creates a new "dynamic" segment in the architecture market that lies between traditionally static materials and digital displays. Until recently, architects and designers either chose standard materials or consciously made the leap to digital displays to create changeable and interactive environments. Prism can be integrated with many standard materials – glass, acrylic, wood, etc. – to create a paint-like appearance that can change its color and pattern.

As the trend of creating more engaging commercial spaces continues to grow, the demand for elements that interact like e-paper is expected to follow. Connected to external sensors, Prism can change the appearance of a space to create new and exciting experiences. Millennials, for example recently surpassed baby boomers as the largest generation demographic group. Having a very positive opinion towards technology exemplifies the importance of creating dynamic experiences and interactive environments now and in the future.

While still emerging, architecture is expected to generate significant interest throughout the architecture and design market. In particular, commercial and institutional applications will create the greatest demand in markets like hospitality, healthcare, transportation, retail, museums, and higher education. Applications in these markets include lobbies, waiting areas, exhibits, terminals, food courts, exhibits, restaurants, lounges, and auditoriums.

During 2016, there will be close collaboration with key channel partners to develop products and build awareness. In March, Dai Nippon Printing featured E Ink Prism at RetailTECH. SuperStudio saw e°FLOW exhibited during Milan's Design Week in April. SEG (Society of Experiential Graphic Designers) also recognized e°FLOW with a 2016 Global Design Award in June. E Ink also collaborated with 3form to launch Viva - a combination of 3form's modular systems and Prism—which won an Innovation Award at the 2016 NeoCon Show. Further North America is expected to see the first permanent installations by late 2016 and first half of 2017. Locations in Asia and Europe are expected to follow soon after.

## Competition and Positioning

In EPD products, we apply EPD in the e-book market with over 95% market share. World-leading e-book suppliers including Amazon and KOBO use our EPD. Amazon's latest Kindle Oasis e-book, released in April 2016, is the lightest and slimmest ever e-book in history, only 131 grams in weight and 3.4mm thick. It uses our ultrahigh resolution B/W EPD module at 300ppi. We have also released the 13.3-inch Digital Paper System in collaboration with Sony. It is both a reader and a writing pad on which users can write, footnote, save data, and share information with others, immediately. Therefore, it is ideal for organizations that require processing a large amount of information every day, such as education, government, and private agencies. In addition to the e-book market, we co-announced the RIMOWA smart suitcase in September 2015 with world-leading suitcase maker RIMOWA and German airline Lufthansa. This product has successfully combined E Ink's Mobius™ EPD, Lufthansa's app, and Bluetooth technology to make luggage check-in more easily and conveniently. Besides reducing paper tag consumption, this EPD smart suitcase can significantly enhance the convenience and safety and reduce the labor of luggage check-in.

In terms of TFT-LCD products, with years of field experience, we are capable of providing customers with special application products and custom products. As there are different kinds of similar products of small volume, powerful integration, design, and development capabilities are required. With a first-class R&D team and years of cultivation in these fields, we have already developed excellent competitive strengths in technology R&D and product development in the future.

## RESEARCH AND DEVELOPMENT OVERVIEW

In 2015, E Ink Holdings continued its commitment to the development of EPD products and technologies. In addition to continuously advance the EPD module technology, we are also devoted to the innovation of color EPD technology. Leveraging the know-how of electronic label, flexible display and touch panel, our new products received very positive market feedback. Meanwhile, we expanded the manufacturing capacity to maintain our leadership in the EPD market. In 2015 and Q1 2016, our consolidated R&D spending was NT\$1.72 billion and NT\$0.43 billion, respectively.

### 1. Electronic Paper Technology

The E Ink Carta™ is the latest generation of the mass-produced electronic paper. Carta™ has the highest reflectivity to date, with 50% higher contrast ratio and 22% higher reflectivity compared to Pearl™, the previous E Ink product. Carta™ is lightweight, environmentally friendly and can be comfortably read for extended periods of time, making it suitable for e-Readers, digital dictionaries, reference books, magazines and other future products to replace the traditional printed paper. Carta™ allows readers to enjoy the convenience of digital products without sacrificing the reading experience provided by printed materials. In 2015, E Ink upgraded the e-Paper technology to Carta™ 1.2 for sharper image quality.

### 2. Three Pigment Electronic Paper Technology

The E Ink Spectra™ is the latest generation of mass-produced multi-colored E Ink product. In addition to black and white pigments, Spectra™ includes an additional red or yellow pigment, making it suitable for the application of electronic shelf labels and advertising displays. Retailers can easily change the product price, enabling dynamic pricing. Moreover, the third color can be remotely activated to display promotion and sale items dynamically. Combining with red or yellow backgrounds, the electronic shelf label can draw consumer's attention to enhance product marketability. Spectra™ supports both active matrix and segmented systems to meet different retailers' requirement. The three pigment EPD can also be employed for ID cards in industrial, smart card and medical applications.

### 3. Color Changing Film for Architecture and Art Design

The E Ink Prism™ is the latest dynamic color display technology ideally suited for the architecture and art design applications. Besides being a static display technology without consuming power, Prism™ can also support dynamic presentation. Coupled with motion sensing, Prism™ can completely transform a lifeless space into an interactive environment. This innovation enables architects and designers to express their ideas by presenting space and surroundings in a unique manner. The revolutionary way of applying Prism™ gives architects and designers more flexibility and freedom. No matter if it is in a commercial building, a hotel lobby, an airport, a transit station or a stadium, architects and designers can change the appearance of the venue by Prism™ to enhance people's perception through color transformation.

### 4. Flexible Electronic Paper Display

The E Ink Mobius™ is a flexible EPD with flexible plastic backplanes of either amorphous silicon or organic TFT. The flexible display technology enables customers to integrate conformal element into product design, leading to end products with unique design and function. The flexible EPD device has been mass-produced and introduced in the market. Using a plastic substrate, the flexible EPD module is thinner, lighter and shatterproof compared to its glass counterpart. Such features become more important as the display grows larger. We have collaborated with leading companies to develop and mass produce Mobius™ EPD products, which have received positive feedbacks from the market. Such eco-friendly and power saving Mobius™ EPD technology will have great potential to grow in the near future.

### 5. Front Light and Touch Panel Technologies

Reading under dim light is a common requirement of e-Reader, which can be realized by integrating front light on top of e-Readers. In addition, we have developed a color-temperature-modulation technology of the front light, which allows consumers to adjust the color temperature of the e-Reader from a cooler color to a warmer color, or vice versa, depending on their personal preference.

In addition to the commonly adopted capacitive touch technology, we have been actively working with partners to develop touch panels for electronic paper displays. These new touch panel modules not only maintain the reflectivity of EPD, but also offer other design benefits to support new product developments.

## 6. EPD with Energy Harvesting Technology

The ultra-low power consumption feature of EPD modules makes it possible to adopt the wireless energy harvesting technology to drive a low-voltage EPD module. The small amount of the electricity generated by wireless transmission is sufficient to drive and refresh the EPD display without the need of a battery. The technology supports both the near-field connection (NFC) at 13.56 MHz and the ultra-high frequency (UHF) at 915 MHz for short and long distance applications, respectively, which are in complete compliance with the mainstream wireless communication protocols. For the short distance application, the EPD modules can be used in an e-Wallet, e-ID, as well as e-Readers or smart watches with an NFC receiver. For the long distance application, the EPD with the UHF RFID reader can be used in a transportation system, ESL, e-luggage tag for logistics, warehouse automation system, smart card, smart home, e-bulletin and digital signage.

## BUSINESS DEVELOPMENT OBJECTIVES

### Short-Term Business Development Objectives

1. Follow product trends to provide customers with upgraded new products, support customers during their product design life cycle, effectively share initial development costs, and diversify the applications using E Ink displays.
2. Improve product quality by providing total solutions of cover lens/front light/touch integrated stack modules to design-win more world-leading customers.
3. Enhance manufacturing yield and production capacity at panel and module plants.
4. Establish local support services for the United States, Europe, China and Japan, and strengthen distribution channels in these markets.
5. Continue to penetrate new application markets.

### Long-Term Business Development Objectives

1. Seek international cooperation to develop advanced display technologies and associated applications. Continued development and improvement of advanced technology to ensure E Ink's leading role in the technology supply chain.
2. Develop long term and effective marketing channels for smooth interactions between production and technology units to effectively support overall and individual growth and to create win-win developments.
3. Maintain a leading position in product development.
4. Integration with upstream and downstream manufacturers to co-develop more complete and more competitive products and systems.

## MARKET OVERVIEW

### Electronic Paper Display Market

2015 was marked by increased interest in electrophoretic displays (EPD) in an increasing number of applications beyond the typical applications of eReaders and electronic shelf labels (ESL). The market continues to view EPD technology as being the only real alternative to LCD or LED displays. The unique properties of EPD make it the ideal display technology that enables product designers to solve problems in more efficient ways or to develop products that are unique.

2015 was again marked with EPDs being used in new products in really different applications. Examples of such products can be seen throughout this report. 2014 was the year that E Ink display technology became widely recognized in many applications outside of eReaders. 2015 is the year that E Ink showed that it is more than a display company. The announcement of E Ink Prism™ in January was a great success and showcased how E Ink technology can be used outside the display space. The announcement of PhutureMed™ by our partner, the Palladio Group, in October demonstrated a proof of concept product for smart packaging in pharmaceutical applications. This opens up entirely new business opportunities for E Ink.

The drive to diversify the EPD market and E Ink's business continues. Application markets can be viewed as following an adoption curve as they grow from a concept stage through adoption, rapid growth and at some point a large stable business. The eReader market followed such a curve from 2005 through 2013. Initial concepts and ideas were brought to market. Typically new technology products will see slow to moderate adoption until a trigger event, or collection of events, happens to spur rapid adoption and growth. It is informative to view E Ink's diversified businesses and application markets with such a model.

E Ink initiated a focus on diversifying our business in 2013. Diversification involved introducing electronic ink technology into new markets, seeding the market with new concept products and actively engaging potential lead customers and opinion leaders in those applications.

These applications and markets are grouped into 6 business development areas within E Ink. They are Consumer Electronics, ESI, Mobile & Wearables, Signage, Architecture, and Smart Packaging.

Each of these areas is at a different stage in the adoption curve. But each of these areas has the potential of becoming a significant business by itself. Consumer Electronics, which includes eReader products is the largest and most stable of the applications areas. Smart Packaging is the newest area and is just starting on its path on the adoption curve.

The overarching message from all these applications is that market for ePaper continues to grow beyond eReaders. eReaders continue to be a major and stable part of our business. The special properties of low power, readability, lightweight and ruggedness are driving the expansion of ePaper displays into many different markets. The market portfolio is becoming diversified with many major products now using ePaper displays to deliver unique features to the customer.

#### **Consumer Electronics eReader Applications**

The market for eReader continues to be strong and stable. For the past few years, E Ink has seen the demand for eReaders remain healthy and stable at approximately 10 million units per year worldwide. E Ink's major customers continue to plan new product releases in the coming months and years. Barnes & Noble announced the Nook Glowlight Plus, an updated version of its Nook eReader. This was a welcomed decision by Barnes & Noble to reinvest in their eReader and eBook business.

#### **Electronic Shelf Labels Applications**

A key market that E Ink products are continuing to see success and grow is Electronic Shelf Label (ESL). The ESL market is next largest market for EPD after eReaders, seeing grow rates of approximately 100% in the past 2 years. ESL is viewed as about to enter a significant growth stage in its market adoption curve.

2014 and 2015 were years where major retailers ran numerous proof of concept trials and started their deployment. Examples of this are the decision of Media Markt to begin full store deployment of the E Ink Spectra™ red ESL tags in their stores. It should also be noted that there is increasing demand not only for smaller displays in the 2" range but also for larger displays in the 4"-6" range.

E Ink has formed strong partnerships with the main system suppliers to the ESL market. This includes companies such as Pricer, DisplayData, Imagotag, and Altierre. The adoption wave is slowly moving to North America as well with a number of large retailers running trials in 2015. These North American retailers are planning their deployments now and will fuel the continued growth of the market into 2016.

The driving reasons behind this adoption is partly due to regulations on pricing accuracy and also as retailers try to remain more competitive versus online retailers which change prices quickly to react to different market conditions. With ESL tags, retailers can guarantee pricing accuracy and can also quickly change prices to match online prices.

#### **Other Markets**

Starting in 2013, E Ink started a program focused on diversifying into many other markets besides eReaders. In 2015 we continued to show the positive results of that effort with numerous design wins using E Ink displays in products and in markets never thought of before.

E Ink displays are in products from markets such as smartphones, wearable technology, medical, travel industry and digital signage.

#### **Other Markets: Wearables**

WiThings, one of the leading companies developing health and activity tracking devices, announced the WiThings Go with an E Ink display. The product received excellent reviews. Go is an excellent example of products that are enabled by E Ink technology. The device is very light and rugged. Thanks to the ultra-low power display, the device will run for 8 months on a single coin cell. Thereby eliminating the need to design in charge capability and the consumer to charge their device every night.

#### **Other Markets: Transportation**

At CES 2014, E Ink received a lot of attention thanks to a new concept product, the Electronic Luggage Tag. A simple device that would replace paper tags now in use and would enable the airlines to track passenger's luggage in an effort to eliminate lost luggage. In 2015, we saw the next generation and the announcement of trials. Rimowa, a premier luggage manufacturer, and Lufthansa Airlines announced a trial of the new electronic luggage system. Rimowa designed the new luggage tag directly into its suitcases and provides a luggage tag that is fully IATA compliant. This promises to speed travelers through airports even if they are checking luggage.

#### **Other Markets: Large Area Signage**

The digital signage market for EPD was just in its infancy in 2014. Some new concept products had been shown and E Ink was starting to drive



some interest. 2015 saw that market start to ramp up. With our system partners, there were a number of evaluations in a number of different markets. E Ink displays are ideal for a number of solutions in this market. Potential customers are focusing on EPD displays because of the low power, easy readability and simplified system solution. An example is the trial run for bus stop information displays.

Using the same idea, our partner Visionect announced the Joan meeting room management system. Due to the low power requirements of the E Ink display, the units of the system are solely battery powered and can be deployed in any location and attached to any surface without having to run power to the units. Joan was recognized as a CES Innovation Award Honoree by the CES 2016 committee.

After having successfully executed a number of trials during 2015, 2016 should see an increase in deployment and ramp up of the signage business. The signage business is also expanding as an increasing number of product designers think of new ways to deploy public information systems once the need to have direct power is removed.

#### **Other Markets: Architecture**

E Ink Prism™ was possibly the product announcement that caused the greatest amount of interest and excitement during 2015. E Ink has always viewed itself as a technology company first and a display company second. Prism is a perfect example of what is possible when you think differently about how our technology and products can be used. Prism is not a display but a color-changing film. It is specifically targeted for architecture and design applications.

For a few years, E Ink had been engaging with architects and designers who were looking for options to create dynamic environments without using light emitting LCD or LED displays. The bright lights of these mediums created an environment that was difficult to work with and not something that could be easily integrated into their design. Prism was introduced at the CES 2015 trade show with a tiled wall concept nearly 5 meters high. Prism received a lot of attention and media coverage. Since its announcement, Prism has been shown at other locations and events and won numerous awards. The Prism business development team had an extremely busy year in 2015 working with partners interested in learning more about Prism and discussing different options for projects that could use color-changing film material.

eFlow is a great example of what is possible using Prism that is almost impossible to do with any other product. Using 52 strands of Prism which are more than 5 meters long, eFlow is a dynamic design structure intended for large areas. Each strand can change and create different wave and animation patterns that respond to the ambient motion of people in the environment. eFlow started out as a proof of concept but it quickly won awards and create interest in similar applications. The same ideas and concepts used in eFlow are being applied to other designs, architectural installations, and even in some retail applications.

Architecture is still a new application for E Ink. The ramp and adoption curve is still very unknown. Prism does show what is possible with E Ink technology beyond displays. 2016 is expected to be a very interesting year for Prism.

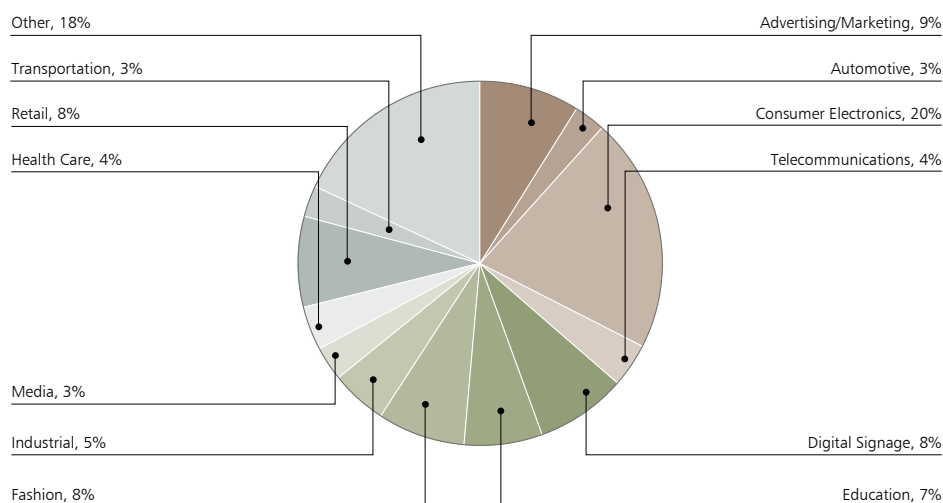
#### **Other Markets: Smart Packaging**

The newest application for E Ink technology is in smart packaging for the pharmaceutical and cosmetic industry. In general packaging is viewed as a low cost, low margin application. In recent years E Ink has been approached by companies making high end or high value products that were interested in how they could apply electronic ink to deliver added value or solve problems for their customers. The PhutureMed product announced by The Palladio Group in partnership with E Ink is a concept product to address those needs. E Ink's rugged, low power and flexible displays enabled intelligence to be incorporated right into the paper packaging. This simple solution can have a significant impact. When the system is fully developed, the display can be used to help patients take their medications and remind them if they forget. Not taking medication at the right time or forgetting to take it at all, is a significant problem in the health care field. Pharmaceutical companies are looking for this type of solution to improve compliance with the prescribed therapy and to improve health care. The value that such a system would provide is viewed as being significant and well worth the additional cost added to the packaging. This is a concept product and is being discussed with leading companies.

#### **Other Markets: Summary**

E Ink's efforts to diversify the business are producing results. The design wins so far are expected to generate order volume in 2016 and future years. More important, by diversifying the application market it reduces the risk of the business to any changes in one specific market and set the foundation for growth going forward. Diversifying into new applications outside the displays further expands the potential market for E Ink. Electronic ink is a unique product that has unique properties. It cannot be used to solve all display applications. But for applications where these unique properties are important, it is probably the only technology that can be used to deliver a product.

E Ink is no longer viewed as just the company that provides displays for eReaders. It is recognized as the world leader there. But now it is also recognized as providing displays to many more applications. This is clear from the analysis of the sales leads coming into E Ink. E Ink now receives leads distributed across many different industries. 2015 has shown that there are many more applications that are options for electronic ink. This can be seen from the distribution of leads inquiring to use E Ink, shown the chart below.



Areas of interest and applications for potential customers of E Ink Holdings.

## Competitiveness

E Ink is in a unique competitive position with its products and technology. This has expanded during 2015. During the past year, E Ink has shown that its technology has applications outside the typical display market. Due to the unique properties and capability of the technology, it is positioned as enabling product designers to develop products that cannot be done with LCD or LED displays; or the products will not have the same customer value as what is possible with E Ink technology. Many product designers do develop many consumer products using LCD and LED and many of them do view E Ink as being a competitive offering. Those product designers that truly understand what is possible with E Ink are our focus. There has been considerable focus during 2015 to enable such product designers to more easily incorporate E Ink into their product designs. The markets for consumer and industrial products that E Ink customers target are very competitive and are experiencing a need for faster product design cycles. It is exactly this that E Ink is seeking to enable so that more products can use E Ink technology and our customers can rapidly introduce those products to market.

In addition to our EPD product line the licensing position regarding our FFS technology also puts E Ink in a unique position where we can benefit from the LCD market without having to invest significant capital in LCD manufacturing facilities. The FFS LCD display provides wide angle viewing, lower power consumption and better sunlight readability compared to other LCDs. Leading LCD manufacturers continue to license this FFS technology from E Ink.

## Favorable and Unfavorable Factors in the Long Term

### (1) Favorable factors

- A. In terms of the technical perspective, we have acquired E Ink Corporation in 2009, and SiPix Technologies in 2012, allowing E Ink Holdings to secure patent protection for electrophoretic display (EPD) technologies. We have further integrated upstream and midstream supply chain elements for EPD products to maintain our leading position in the industry.
- B. For EPD product business strategies, in addition to our focus on eReaders, electronic shelf labels, we have also begun to concentrate on developing other product applications that include mobile devices, wearables, transportation, large area signage, architecture, and smart packaging applications.

### (2) Unfavorable factors and coping strategies

- A. The market for eReaders is under competitive pressure from tablets, which may further restrict the shipping volume and profitability for E Ink Holdings products.

Response: E Ink Holdings has worked with customer from various fields to develop diversified applications and expand markets for EPD.

- B. Various display manufacturers have begun producing small- and medium-sized displays. Market supply has grown, which would strain the market prices for E Ink Holdings products.

Response: E Ink Holdings has announced to gradually reduce the scale of TFT-LCD business and continued to focus on developing diversified applications of EPD to enhance operational efficiency.



# E INK HOLDINGS INC.

**Financial Statements for the  
Years Ended December 31, 2015 and 2014 and  
Independent Auditors' Report**

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
E Ink Holdings Inc.

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

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

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

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

March 18, 2016

## Notice to Readers

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

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



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

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

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 12,501,126	100	\$ 12,461,581	100
OPERATING COSTS	<u>10,527,339</u>	<u>84</u>	<u>11,542,526</u>	<u>93</u>
GROSS PROFIT	<u>1,973,787</u>	<u>16</u>	<u>919,055</u>	<u>7</u>
OPERATING EXPENSES				
Selling and marketing expenses	180,486	2	154,728	1
General and administrative expenses	646,553	5	702,895	6
Research and development expenses	<u>635,024</u>	<u>5</u>	<u>548,338</u>	<u>4</u>
Total operating expenses	<u>1,462,063</u>	<u>12</u>	<u>1,405,961</u>	<u>11</u>
INCOME (LOSS) FROM OPERATIONS	<u>511,724</u>	<u>4</u>	<u>(486,906)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	33,415	-	29,115	-
Royalty income	30,716	-	30,716	-
Dividend income	30,990	-	18,976	-
Other income	30,463	-	18,008	-
Interest expense	(61,226)	-	(105,267)	(1)
Share of profit or loss of subsidiaries and associates	100,200	1	443,162	4
Net gain (loss) on foreign currency exchange	80,335	1	(30,971)	-
Net gain (loss) on fair value change of financial assets at fair value through profit or loss	(58,813)	-	60,452	1
Impairment loss	<u>(64,059)</u>	<u>(1)</u>	<u>(5,296)</u>	<u>-</u>
Total non-operating income and expenses	<u>122,021</u>	<u>1</u>	<u>458,895</u>	<u>4</u>
INCOME (LOSS) BEFORE INCOME TAX	633,745	5	(28,011)	-
INCOME TAX BENEFIT (EXPENSE)	<u>(94,415)</u>	<u>(1)</u>	<u>41,487</u>	<u>-</u>
NET INCOME FOR THE YEAR	<u>539,330</u>	<u>4</u>	<u>13,476</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(14,178)	-	(14,159)	-
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	(11,686)	-	52,748	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>2,410</u>	<u>-</u>	<u>2,407</u>	<u>-</u>
	<u>(23,454)</u>	<u>-</u>	<u>40,996</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on available-for-sale financial assets	(174,115)	(2)	9,805	-
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	<u>(286,000)</u>	<u>(2)</u>	<u>888,650</u>	<u>7</u>
	<u>(460,115)</u>	<u>(4)</u>	<u>898,455</u>	<u>7</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(483,569)</u>	<u>(4)</u>	<u>939,451</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 55,761</u>	<u>-</u>	<u>\$ 952,927</u>	<u>8</u>
EARNINGS PER SHARE				
Basic	<u>\$ 0.47</u>		<u>\$ 0.01</u>	
Diluted	<u>\$ 0.47</u>		<u>\$ 0.01</u>	

# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ 633,745	\$ (28,011)
Adjustments for:		
Depreciation expenses	261,208	267,555
Amortization expenses	33,020	34,248
Net gain (loss) on fair value change of financial assets at fair value through profit or loss	58,813	(60,452)
Interest expenses	61,226	105,267
Interest income	(33,415)	(29,115)
Dividend income	(30,990)	(18,976)
Share of profit of subsidiaries and associates	(100,200)	(443,162)
Net gain on disposal of property, plant and equipment	(2)	(2,946)
Net gain on disposal of investments	-	(359)
Impairment loss recognized on financial assets	-	5,296
Impairment loss recognized on non-financial assets	64,059	-
Write-down (reversal of write-down) of inventories	(285,000)	312,000
Net unrealized loss (gain) on foreign currency exchange	(74,242)	122,977
Royalty income	(30,716)	(30,716)
Changes in operating assets and liabilities		
Accounts receivable	190,544	(188,803)
Accounts receivable from related parties	(83,961)	4,172,964
Inventories	396,206	160,848
Prepayments	(155,148)	2,740
Other current assets	27,601	(722)
Accounts payable	268,653	(745,670)
Accounts payable to related parties	(1,987,369)	(3,702,396)
Other payables	41,752	60,412
Receipts in advance	(102,724)	(115,500)
Other current liabilities	(4,251)	(4,812)
Cash used in operations	(851,191)	(127,333)
Income tax paid	(82,939)	(27,341)
Net cash used in operating activities	(934,130)	(154,674)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of financial assets at fair value through profit or loss	-	1,500,000
Purchase of available-for-sale financial assets	-	(28,120)
Proceeds on sale of available-for-sale financial assets	-	2,809
Proceeds from capital reduction of available-for-sale financial assets	18,923	-
Purchase of debt investments with no active market	-	(1,500,000)
Proceeds from repayments of debt investments with no active market	600,000	300,000
Payments for property, plant and equipment	(172,502)	(121,576)
Proceeds from disposal of property, plant and equipment	76	3,592
Decrease in other receivables from related parties	(5,977)	797,240
Payments for intangible assets	(34,744)	(80,046)
Proceeds from capital reduction of investments accounted for using equity method	3,697,675	-
Decrease (increase) in other non-current assets	(50,068)	367
Interest received	38,723	18,371
Dividends received	91,575	51,040
Net cash generated from investing activities	4,183,681	943,677
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(1,030,015)	982,015
Repayments of long-term borrowings	(2,229,544)	(1,769,542)
Increase in other payables to related parties	7,026	444
Increase (decrease) in other non-current liabilities	(1,682)	1,712
Acquisition of interests in subsidiaries	-	(873,908)
Interest paid	(62,379)	(105,818)
Net cash used in financing activities	(3,316,594)	(1,765,097)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(67,043)	(976,094)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	791,496	1,767,590
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	\$ 724,453	\$ 791,496

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus		
	Shares (In Thousands)	Amount		Legal Reserve	
BALANCE AT JANUARY 1, 2014	1,140,990	\$ 11,409,897	\$ 10,073,700	\$ 1,055,476	
Legal reserve	-	-	-	2,930	
Reversal of special reserve	-	-	-	-	
Net income for the year ended December 31, 2014	-	-	-	-	
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	
Retirement of treasury shares	(522)	(5,220)	(4,346)	-	
Partial acquisition of interests in subsidiaries	-	-	2,224	-	
BALANCE AT DECEMBER 31, 2014	1,140,468	11,404,677	10,071,578	1,058,406	
Legal reserve	-	-	-	1,348	
Net income for the year ended December 31, 2015	-	-	-	-	
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	
Partial acquisition of interests in subsidiaries	-	-	-	-	
BALANCE AT DECEMBER 31, 2015	1,140,468	\$ 11,404,677	\$ 10,071,578	\$ 1,059,754	

Retained Earnings			Other Equity		Treasury Shares	Total Equity
	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
	\$ 483,507	\$ 2,130,050	\$ 61,569	\$ 580,782	\$ (25,894)	\$ 25,769,087
	-	(2,930)	-	-	-	-
	(412,829)	412,829	-	-	-	-
	-	13,476	-	-	-	13,476
	-	40,996	1,020,437	(121,982)	-	939,451
	-	54,472	1,020,437	(121,982)	-	952,927
	-	(16,328)	-	-	25,894	-
	-	(90,712)	-	-	-	(88,488)
	70,678	2,487,381	1,082,006	458,800	-	26,633,526
	-	(1,348)	-	-	-	-
	-	539,330	-	-	-	539,330
	-	(23,454)	(115,532)	(344,583)	-	(483,569)
	-	515,876	(115,532)	(344,583)	-	55,761
	-	(9,476)	-	-	-	(9,476)
	<u>\$ 70,678</u>	<u>\$ 2,992,433</u>	<u>\$ 966,474</u>	<u>\$ 114,217</u>	<u>\$ -</u>	<u>\$ 26,679,811</u>



# E INK HOLDINGS INC. AND SUBSIDIARIES

## **Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report**

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
E Ink Holdings Inc.

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

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

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

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

March 18, 2016

## Notice to Readers

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

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

**CONSOLIDATED BALANCE SHEETS**

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 6,582,175	20	\$ 8,124,294	21
Financial assets at fair value through profit or loss	410,217	1	173,358	-
Debt investments with no active market	600,000	2	600,000	2
Notes and accounts receivable	1,548,753	5	2,391,938	6
Accounts receivable from related parties	18,178	-	64,162	-
Other receivables	1,094,066	3	1,397,268	4
Current tax assets	110,575	-	637,923	2
Inventories	1,430,087	4	1,989,398	5
Prepayments	182,348	1	305,555	1
Non-current assets held for sale	1,167,734	3	-	-
Other financial assets	362,080	1	-	-
Other current assets	224,592	1	198,357	-
<b>Total current assets</b>	<b>13,730,805</b>	<b>41</b>	<b>15,882,253</b>	<b>41</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss	-	-	282,799	1
Available-for-sale financial assets	1,674,342	5	2,043,268	5
Financial assets measured at cost	125,924	-	125,924	-
Debt investments with no active market	-	-	600,000	1
Investments accounted for using equity method	53,306	-	49,745	-
Property, plant and equipment	6,497,167	19	9,041,082	23
Goodwill	6,954,923	21	6,858,206	18
Other intangible assets	2,506,907	8	2,817,788	7
Deferred tax assets	1,528,756	5	1,023,992	3
Other non-current assets	353,096	1	228,795	1
<b>Total non-current assets</b>	<b>19,694,421</b>	<b>59</b>	<b>23,071,599</b>	<b>59</b>
<b>TOTAL</b>	<b>\$ 33,425,226</b>	<b>100</b>	<b>\$ 38,953,852</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 100,000	-	\$ 1,796,975	5
Accounts payable	1,014,974	3	1,508,379	4
Accounts payable to related parties	10,520	-	38,106	-
Other payables	1,223,136	4	1,272,817	3
Current tax liabilities	46,271	-	112,455	-
Provisions	734,561	2	53,268	-
Receipts in advance	718,756	2	878,721	2
Current portion of long-term borrowings	2,130,573	7	2,894,548	7
Other current liabilities	58,014	-	557,555	2
<b>Total current liabilities</b>	<b>6,036,805</b>	<b>18</b>	<b>9,112,824</b>	<b>23</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	302,892	1	2,566,020	7
Net defined benefit liabilities	80,363	-	422,643	1
Other non-current liabilities	421,636	1	339,363	1
<b>Total non-current liabilities</b>	<b>804,891</b>	<b>2</b>	<b>3,328,026</b>	<b>9</b>
<b>Total liabilities</b>	<b>6,841,696</b>	<b>20</b>	<b>12,440,850</b>	<b>32</b>

(Continued)

ASSETS	2015		2014	
	Amount	%	Amount	%
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	<u>11,404,677</u>	<u>34</u>	<u>11,404,677</u>	<u>29</u>
Capital surplus	<u>10,071,578</u>	<u>30</u>	<u>10,071,578</u>	<u>26</u>
Retained earnings				
Legal reserve	1,059,754	3	1,058,406	3
Special reserve	70,678	1	70,678	-
Unappropriated earnings	<u>2,992,433</u>	<u>9</u>	<u>2,487,381</u>	<u>6</u>
Total retained earnings	<u>4,122,865</u>	<u>13</u>	<u>3,616,465</u>	<u>9</u>
Other equity	<u>1,080,691</u>	<u>3</u>	<u>1,540,806</u>	<u>4</u>
Total equity attributable to owners of the Company	26,679,811	80	26,633,526	68
NON-CONTROLLING INTERESTS	<u>(96,281)</u>	<u>-</u>	<u>(120,524)</u>	<u>-</u>
Total equity	<u>26,583,530</u>	<u>80</u>	<u>26,513,002</u>	<u>68</u>
TOTAL	<u>\$ 33,425,226</u>	<u>100</u>	<u>\$ 38,953,852</u>	<u>100</u>

(Concluded)

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 13,306,503	100	\$ 13,498,720	100
OPERATING COSTS	<u>9,157,773</u>	<u>69</u>	<u>10,448,854</u>	<u>78</u>
GROSS PROFIT	<u>4,148,730</u>	<u>31</u>	<u>3,049,866</u>	<u>22</u>
OPERATING EXPENSES				
Selling and marketing expenses	538,869	4	504,056	4
General and administrative expenses	2,341,891	17	2,402,306	18
Research and development expenses	<u>1,717,187</u>	<u>13</u>	<u>1,532,446</u>	<u>11</u>
Total operating expenses	<u>4,597,947</u>	<u>34</u>	<u>4,438,808</u>	<u>33</u>
LOSS FROM OPERATIONS	<u>(449,217)</u>	<u>(3)</u>	<u>(1,388,942)</u>	<u>(11)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	127,947	1	148,145	1
Royalty income	2,983,068	22	3,561,145	26
Dividend income	98,531	1	86,019	1
Other income	122,624	1	158,339	1
Interest expense	(86,521)	(1)	(153,031)	(1)
Share of profit or loss of associates and joint ventures	(46,224)	-	(9,998)	-
Net gain (loss) on disposal of investments	99,248	1	(892,569)	(7)
Net gain on foreign currency exchange	197,424	1	23,543	-
Net gain (loss) on fair value change of financial assets at fair value through profit or loss	(56,491)	-	67,472	1
Loss on disposal of property, plant and equipment	(70,629)	(1)	(649)	-
Impairment loss	(119,835)	(1)	(5,296)	-
Other expenses	<u>(52,960)</u>	<u>-</u>	<u>(27,711)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,196,182</u>	<u>24</u>	<u>2,955,409</u>	<u>22</u>
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	2,746,965	21	1,566,467	11
INCOME TAX BENEFIT (EXPENSE)	<u>(317,792)</u>	<u>(3)</u>	<u>375,964</u>	<u>3</u>
NET INCOME FROM CONTINUING OPERATIONS	2,429,173	18	1,942,431	14
LOSS FROM DISCONTINUING OPERATIONS	<u>(1,861,568)</u>	<u>(14)</u>	<u>(1,888,222)</u>	<u>(14)</u>
NET INCOME FOR THE YEAR	<u>567,605</u>	<u>4</u>	<u>54,209</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(26,514)	-	41,523	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>2,410</u>	<u>-</u>	<u>2,407</u>	<u>-</u>
	<u>(24,104)</u>	<u>-</u>	<u>43,930</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(110,425)	(1)	1,014,257	8
Unrealized loss on available-for-sale financial assets	(344,583)	(2)	(121,982)	(1)
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	<u>(1,973)</u>	<u>-</u>	<u>(1,931)</u>	<u>-</u>
	<u>(456,981)</u>	<u>(3)</u>	<u>890,344</u>	<u>7</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(481,085)</u>	<u>(3)</u>	<u>934,274</u>	<u>7</u>

(Continued)

	2015		2014	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 86,520</u>	<u>1</u>	<u>\$ 988,483</u>	<u>7</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 539,330	4	\$ 13,476	-
Non-controlling interests	<u>28,275</u>	<u>-</u>	<u>40,733</u>	<u>-</u>
	<u>\$ 567,605</u>	<u>4</u>	<u>\$ 54,209</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 55,761	1	\$ 952,927	7
Non-controlling interests	<u>30,759</u>	<u>-</u>	<u>35,556</u>	<u>-</u>
	<u>\$ 86,520</u>	<u>1</u>	<u>\$ 988,483</u>	<u>7</u>
EARNINGS PER SHARE				
From continuing and discontinued operations				
Basic	<u>\$0.47</u>		<u>\$0.01</u>	
Diluted	<u>\$0.47</u>		<u>\$0.01</u>	
From continuing operations				
Basic	<u>\$2.02</u>		<u>\$1.58</u>	
Diluted	<u>\$2.02</u>		<u>\$1.58</u>	

(Concluded)



# CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax from continuing operations	\$ 2,746,965	\$ 1,566,467
Loss before income tax from discontinued operations	(2,507,128)	(1,888,222)
Income (loss) before income tax	239,837	(321,755)
Adjustments for:		
Depreciation expenses	1,251,936	1,529,110
Amortization expenses	414,103	433,575
Impairment loss recognized on notes and accounts receivable	20,660	1,773
Net loss (gain) on fair value change of financial assets at fair value through profit or loss	56,491	(67,472)
Interest expense	86,521	153,031
Interest income	(127,947)	(148,145)
Dividend income	(98,531)	(86,019)
Share of loss of associates and joint ventures	46,224	9,998
Net loss (gain) on disposal of property, plant and equipment	70,818	(248)
Net loss (gain) on disposal of investments	(99,248)	892,569
Impairment loss recognized on financial assets	-	5,296
Impairment loss recognized on non-financial assets	264,823	115,093
Write-down (reversal of write-down) of inventories	(822,164)	373,095
Net unrealized loss (gain) on foreign currency exchange	(53,446)	108,250
Changes in operating assets and liabilities		
Financial assets held for trading	-	(26,000)
Notes and accounts receivable	858,874	1,238,140
Accounts receivable from related parties	45,984	(36,386)
Other receivables	(573,668)	(100,859)
Inventories	1,445,147	1,001,440
Prepayments	22,349	14,167
Other current assets	(9,643)	430,291
Accounts payable	(507,761)	(1,011,606)
Accounts payable to related parties	(27,586)	(28,314)
Other payables	(29,074)	(107,530)
Provisions	657,801	9,278
Receipts in advance	(189,880)	(252,914)
Other current liabilities	(500,055)	466,988
Net defined benefit liabilities	(356,564)	57,674
Cash generated from operations	2,086,001	4,652,520
Income tax received (paid)	284,225	(451,057)
Net cash generated from operating activities	2,370,226	4,201,463
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of financial assets at fair value through profit or loss	-	1,500,000
Purchase of available-for-sale financial assets	-	(67,729)
Proceeds on sale of available-for-sale financial assets	26,797	3,440
Proceeds from capital reduction of available-for-sale financial assets	18,923	-
Purchase of debt investments with no active market	-	(1,500,000)
Proceeds from repayments of debt investments with no active market	600,000	300,000
Proceeds on sale of financial assets measured at cost	903,318	849,182
Acquisitions of joint ventures	(50,591)	-
Proceeds on sale of associates	91,742	84,918
Payments for property, plant and equipment	(370,152)	(552,611)
Proceeds from disposal of property, plant and equipment	46,514	9,911
Payments for intangible assets	(40,390)	(131,224)
Increase in other financial assets	(362,080)	-
Decrease (increase) in other non-current assets	(24,672)	19,662
Interest received	137,136	129,901
Dividend received	98,531	86,019
Net cash generated from investing activities	1,075,076	731,469
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(1,696,534)	862,078
Repayments of long-term borrowings	(3,099,260)	(2,556,966)

(Continued)

	2015	2014
Increase in other non-current liabilities	\$ 74,298	\$ 70,616
Interest paid	(88,325)	(146,074)
Changes in non-controlling interests	<u>(15,992)</u>	<u>(27,596)</u>
Net cash used in financing activities	<u>(4,825,813)</u>	<u>(1,797,942)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(161,608)</u>	<u>325,041</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,542,119)	3,460,031
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>8,124,294</u>	<u>4,664,263</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,582,175</u>	<u>\$ 8,124,294</u>

(Concluded)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company					
	Share Capital		Capital Surplus	Retained Earnings		
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	
BALANCE AT JANUARY 1, 2014	1,140,990	\$ 11,409,897	\$ 10,073,700	\$ 1,055,476	\$ 483,507	
Legal reserve	-	-	-	2,930	-	
Reversal of special reserve	-	-	-	-	(412,829)	
Net income for the year ended December 31, 2014	-	-	-	-	-	
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	-	
Retirement of treasury shares	(522)	(5,220)	(4,346)	-	-	
Partial acquisition of interests in subsidiaries	-	-	2,224	-	-	
BALANCE AT DECEMBER 31, 2014	1,140,468	11,404,677	10,071,578	1,058,406	70,678	
Legal reserve	-	-	-	1,348	-	
Net income for the year ended December 31, 2015	-	-	-	-	-	
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	
Partial acquisition of interests in subsidiaries	-	-	-	-	-	
BALANCE AT DECEMBER 31, 2015	<u>1,140,468</u>	<u>\$ 11,404,677</u>	<u>\$ 10,071,578</u>	<u>\$ 1,059,754</u>	<u>\$ 70,678</u>	

						Non-controlling Interests	Total Equity
		Other Equity		TreasuryShares	Total		
	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets				
	\$ 2,130,050	\$ 61,569	\$ 580,782	\$ (25,894)	\$ 25,769,087	\$ (216,972)	\$ 25,552,115
	(2,930)	-	-	-	-	-	-
	412,829	-	-	-	-	-	-
	13,476	-	-	-	13,476	40,733	54,209
	<u>40,996</u>	<u>1,020,437</u>	<u>(121,982)</u>	<u>-</u>	<u>939,451</u>	<u>(5,177)</u>	<u>934,274</u>
	<u>54,472</u>	<u>1,020,437</u>	<u>(121,982)</u>	<u>-</u>	<u>952,927</u>	<u>35,556</u>	<u>988,483</u>
	(16,328)	-	-	25,894	-	-	-
	<u>(90,712)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,488)</u>	<u>60,892</u>	<u>(27,596)</u>
	2,487,381	1,082,006	458,800	-	26,633,526	(120,524)	26,513,002
	(1,348)	-	-	-	-	-	-
	539,330	-	-	-	539,330	28,275	567,605
	<u>(23,454)</u>	<u>(115,532)</u>	<u>(344,583)</u>	<u>-</u>	<u>(483,569)</u>	<u>2,484</u>	<u>(481,085)</u>
	<u>515,876</u>	<u>(115,532)</u>	<u>(344,583)</u>	<u>-</u>	<u>55,761</u>	<u>30,759</u>	<u>86,520</u>
	<u>(9,476)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,476)</u>	<u>(6,516)</u>	<u>(15,992)</u>
	<u>\$ 2,992,433</u>	<u>\$ 966,474</u>	<u>\$ 114,217</u>	<u>\$ -</u>	<u>\$ 26,679,811</u>	<u>\$ (96,281)</u>	<u>\$ 26,583,530</u>



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