

E Ink Holdings Inc. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
E Ink Holdings Inc.

Introduction

We have reviewed the accompanying consolidated financial statements of E Ink Holdings Inc. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, the consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six months then ended and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Notes 13 and 14 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and investments accounted for using the equity method included in the consolidated financial statements for the same reporting periods were not reviewed. As of June 30, 2021 and 2020, the combined total assets of these non-significant subsidiaries were NT\$1,076,970 thousand and NT\$1,429,697 thousand, respectively, representing 2% and 3%, respectively, of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries were NT\$336,578 thousand and NT\$368,970 thousand, respectively, both representing 2% of the consolidated total liabilities; for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the amounts of combined comprehensive income or loss of these non-significant subsidiaries were NT\$28,508 thousand, NT\$18,526 thousand, NT\$59,162 thousand and NT\$11,794 thousand, respectively, representing 1%, 2%, 2% and 4%, respectively, of the consolidated total comprehensive income or loss. As of June 30, 2021 and 2020, the carrying amounts of the above mentioned investments accounted for

using the equity method were NT\$861,300 thousand and NT\$129,849 thousand, respectively; for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the amounts of combined comprehensive income or loss of investments accounted for using the equity method were NT\$17,979 thousand, NT\$(7,330) thousand, NT\$10,497 thousand and NT\$(17,846) thousand, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph and the related information of these non-significant subsidiaries as disclosed in Note 35 to the consolidated financial statements been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021 and 2020, its consolidated financial performance for the three months ended June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Hui-Min Huang and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 6, 2021

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors’ review 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’ review report and consolidated financial statements shall prevail.

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS (Note 4)						
Cash and cash equivalents (Note 6)	\$ 9,717,845	19	\$ 12,954,147	28	\$ 8,367,608	19
Financial assets at fair value through profit or loss (Note 7)	485,792	1	1,999,208	4	2,488,439	6
Financial assets at amortized cost (Notes 9 and 31)	2,841,427	6	3,081,651	7	5,898,282	14
Contract assets (Note 22)	-	-	46,900	-	444	-
Notes and accounts receivable (Notes 10, 22 and 30)	1,827,988	4	1,389,905	3	2,298,464	5
Other receivables	280,202	-	141,045	-	474,284	1
Current tax assets	3,250	-	14,043	-	17,170	-
Inventories (Note 11)	2,967,656	6	2,040,429	5	2,086,502	5
Prepayments (Note 30)	264,500	-	228,528	1	235,706	1
Non-current assets held for sale (Note 12)	-	-	9,342	-	105,975	-
Other current assets	1,117	-	9,123	-	892	-
Total current assets	<u>18,389,777</u>	<u>36</u>	<u>21,914,321</u>	<u>48</u>	<u>21,973,766</u>	<u>51</u>
NON-CURRENT ASSETS (Note 4)						
Financial assets at fair value through profit or loss (Note 7)	2,550,235	5	1,589,011	4	856,932	2
Financial assets at fair value through other comprehensive income (Note 8)	13,172,802	26	6,929,647	15	5,163,500	12
Financial assets at amortized costs (Notes 9 and 31)	1,098,278	2	561,575	1	140,261	-
Investments accounted for using the equity method (Note 14)	861,300	2	130,046	-	129,849	-
Property, plant and equipment (Notes 15, 23, 27 and 30)	4,635,464	9	4,075,910	9	3,955,652	9
Right-of-use assets (Notes 16, 23 and 30)	1,618,198	3	1,646,709	4	1,711,424	4
Goodwill (Note 17)	6,546,243	13	6,597,276	14	6,691,936	16
Other intangible assets (Notes 17 and 23)	893,214	2	1,065,711	2	1,230,334	3
Deferred tax assets	944,774	2	1,131,693	3	1,018,704	2
Other non-current assets (Notes 30 and 31)	131,703	-	158,734	-	184,051	1
Total non-current assets	<u>32,452,211</u>	<u>64</u>	<u>23,886,312</u>	<u>52</u>	<u>21,082,643</u>	<u>49</u>
TOTAL	<u>\$ 50,841,988</u>	<u>100</u>	<u>\$ 45,800,633</u>	<u>100</u>	<u>\$ 43,056,409</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES (Note 4)						
Short-term borrowings (Notes 18 and 31)	\$ 6,059,039	12	\$ 5,394,245	12	\$ 5,313,553	12
Short-term bills payable (Note 18)	950,776	2	805,612	2	973,773	2
Financial liabilities at fair value through profit or loss (Note 7)	62,084	-	-	-	-	-
Contract liabilities (Note 22)	1,615,853	3	1,455,670	3	1,638,507	4
Notes and accounts payable (Note 30)	2,346,474	5	1,566,068	3	1,217,834	3
Other payables (Notes 19 and 27)	4,265,360	8	1,410,737	3	3,375,257	8
Current tax liabilities	440,705	1	685,710	1	212,256	-
Other current liabilities (Notes 12, 16 and 30)	187,931	-	246,779	1	247,285	1
Total current liabilities	<u>15,928,222</u>	<u>31</u>	<u>11,564,821</u>	<u>25</u>	<u>12,978,465</u>	<u>30</u>
NON-CURRENT LIABILITIES (Note 4)						
Long-term borrowings (Note 18)	63,000	-	63,000	-	-	-
Contract liabilities (Note 22)	49,207	-	351,361	1	656,265	2
Deferred tax liabilities	92,813	-	88,468	-	136,976	-
Lease liabilities (Notes 16 and 30)	1,586,656	3	1,617,605	4	1,675,848	4
Deferred revenue (Note 12)	927,318	2	962,015	2	-	-
Net defined benefit liabilities	97,595	1	100,613	-	88,441	-
Other non-current liabilities (Note 30)	4,651	-	7,977	-	11,048	-
Total non-current liabilities	<u>2,821,240</u>	<u>6</u>	<u>3,191,039</u>	<u>7</u>	<u>2,568,578</u>	<u>6</u>
Total liabilities	<u>18,749,462</u>	<u>37</u>	<u>14,755,860</u>	<u>32</u>	<u>15,547,043</u>	<u>36</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 26)						
Share capital	11,404,677	23	11,404,677	25	11,404,677	26
Capital surplus	10,384,088	20	10,310,536	23	10,306,774	24
Retained earnings	8,310,772	16	8,760,870	19	6,923,094	16
Other equity	1,455,442	3	142,559	-	(1,489,367)	(3)
Treasury shares	(1,135)	-	(110,032)	-	(110,032)	-
Total equity attributable to owners of the Company	<u>31,553,844</u>	<u>62</u>	<u>30,508,610</u>	<u>67</u>	<u>27,035,146</u>	<u>63</u>
NON-CONTROLLING INTERESTS (Note 21)	<u>538,682</u>	<u>1</u>	<u>536,163</u>	<u>1</u>	<u>474,220</u>	<u>1</u>
Total equity	<u>32,092,526</u>	<u>63</u>	<u>31,044,773</u>	<u>68</u>	<u>27,509,366</u>	<u>64</u>
TOTAL	<u>\$ 50,841,988</u>	<u>100</u>	<u>\$ 45,800,633</u>	<u>100</u>	<u>\$ 43,056,409</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated August 6, 2021)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 30)	\$ 4,050,417	100	\$ 3,730,823	100	\$ 8,486,181	100	\$ 6,652,950	100
OPERATING COSTS (Notes 11, 23 and 30)	<u>2,392,991</u>	<u>59</u>	<u>2,149,434</u>	<u>57</u>	<u>4,616,737</u>	<u>54</u>	<u>3,722,284</u>	<u>56</u>
GROSS PROFIT	<u>1,657,426</u>	<u>41</u>	<u>1,581,389</u>	<u>43</u>	<u>3,869,444</u>	<u>46</u>	<u>2,930,666</u>	<u>44</u>
OPERATING EXPENSES (Notes 23 and 30)								
Selling and marketing expenses	173,309	4	144,924	4	318,603	4	304,973	5
General and administrative expenses	536,262	13	503,563	13	1,059,937	13	1,032,542	15
Research and development expenses	<u>629,941</u>	<u>16</u>	<u>578,438</u>	<u>16</u>	<u>1,204,937</u>	<u>14</u>	<u>1,170,450</u>	<u>18</u>
Total operating expenses	<u>1,339,512</u>	<u>33</u>	<u>1,226,925</u>	<u>33</u>	<u>2,583,477</u>	<u>31</u>	<u>2,507,965</u>	<u>38</u>
INCOME FROM OPERATIONS	<u>317,914</u>	<u>8</u>	<u>354,464</u>	<u>10</u>	<u>1,285,967</u>	<u>15</u>	<u>422,701</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 23)	44,767	1	68,658	2	92,053	1	146,479	2
Royalty income (Notes 4 and 22)	553,063	14	577,223	15	909,202	11	948,457	14
Dividend income	29,175	1	247,467	7	51,153	1	247,467	4
Other income (Notes 12 and 30)	60,668	1	34,494	1	107,762	1	62,749	1
Interest expenses (Notes 15 and 30)	(22,313)	(1)	(24,854)	(1)	(46,598)	(1)	(51,562)	(1)
Net gain (loss) on disposal of investment (Note 14)	663,286	16	-	-	653,705	8	(567)	-
Net gain (loss) on foreign currency exchange (Note 34)	21,600	1	(140,568)	(4)	126,161	1	217,454	3
Net gain (loss) on fair value change of financial assets and liabilities at fair value through profit or loss	115,305	3	9,191	-	(35,514)	-	32,851	1
Other expenses	<u>(1,516)</u>	<u>-</u>	<u>(15,719)</u>	<u>-</u>	<u>(4,240)</u>	<u>-</u>	<u>(27,060)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,464,035</u>	<u>36</u>	<u>755,892</u>	<u>20</u>	<u>1,853,684</u>	<u>22</u>	<u>1,576,268</u>	<u>24</u>
INCOME BEFORE INCOME TAX	1,781,949	44	1,110,356	30	3,139,651	37	1,998,969	30
INCOME TAX EXPENSE (Notes 4 and 24)	<u>368,683</u>	<u>9</u>	<u>116,847</u>	<u>3</u>	<u>544,731</u>	<u>7</u>	<u>192,592</u>	<u>3</u>
NET INCOME FOR THE PERIOD	<u>1,413,266</u>	<u>35</u>	<u>993,509</u>	<u>27</u>	<u>2,594,920</u>	<u>30</u>	<u>1,806,377</u>	<u>27</u>

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E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 906,972	22	\$ 195,199	5	\$ 2,220,370	26	\$ (873,993)	(13)
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 24)	<u>(11,307)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,307)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>895,665</u>	<u>22</u>	<u>195,199</u>	<u>5</u>	<u>2,209,063</u>	<u>26</u>	<u>(873,993)</u>	<u>(13)</u>
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	(434,287)	(11)	(285,330)	(8)	(857,354)	(10)	(601,949)	(9)
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	21,739	1	-	-	(22,392)	-	-	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(1,094)	-	(2,138)	-	(1,841)	-	(4,908)	-
Income tax related to items that may be reclassified subsequently to profit or loss (Note 24)	<u>5,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,447</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(408,195)</u>	<u>(10)</u>	<u>(287,468)</u>	<u>(8)</u>	<u>(876,140)</u>	<u>(10)</u>	<u>(606,857)</u>	<u>(9)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>487,470</u>	<u>12</u>	<u>(92,269)</u>	<u>(3)</u>	<u>1,332,923</u>	<u>16</u>	<u>(1,480,850)</u>	<u>(22)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,900,736</u>	<u>47</u>	<u>\$ 901,240</u>	<u>24</u>	<u>\$ 3,927,843</u>	<u>46</u>	<u>\$ 325,527</u>	<u>5</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,391,683	34	\$ 976,178	26	\$ 2,558,512	30	\$ 1,763,438	26
Non-controlling interests	<u>21,583</u>	<u>1</u>	<u>17,331</u>	<u>1</u>	<u>36,408</u>	<u>1</u>	<u>42,939</u>	<u>1</u>
	<u>\$ 1,413,266</u>	<u>35</u>	<u>\$ 993,509</u>	<u>27</u>	<u>\$ 2,594,920</u>	<u>31</u>	<u>\$ 1,806,377</u>	<u>27</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,890,583	47	\$ 887,136	24	\$ 3,925,564	46	\$ 303,952	5
Non-controlling interests	<u>10,153</u>	<u>-</u>	<u>14,104</u>	<u>-</u>	<u>2,279</u>	<u>-</u>	<u>21,575</u>	<u>-</u>
	<u>\$ 1,900,736</u>	<u>47</u>	<u>\$ 901,240</u>	<u>24</u>	<u>\$ 3,927,843</u>	<u>46</u>	<u>\$ 325,527</u>	<u>5</u>

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(Note 25)								
Basic	<u>\$ 1.23</u>		<u>\$ 0.86</u>		<u>\$ 2.26</u>		<u>\$ 1.55</u>	
Diluted	<u>\$ 1.22</u>		<u>\$ 0.86</u>		<u>\$ 2.25</u>		<u>\$ 1.55</u>	

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

(With Deloitte & Touche auditors' review report dated August 6, 2021)

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Company							Other Equity			Non-controlling Interests	Total Equity	
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Treasury Shares	Total			
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings							Total
BALANCE AT JANUARY 1, 2020	1,140,468	\$ 11,404,677	\$ 10,306,993	\$ 1,773,654	\$ 255,475	\$ 5,399,253	\$ 7,428,382	\$ (937,787)	\$ 907,906	\$ (110,032)	\$ 29,000,139	\$ 452,645	\$ 29,452,784
Appropriation of 2019 earnings													
Legal reserve	-	-	-	308,077	-	(308,077)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(154,916)	154,916	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,268,726)	(2,268,726)	-	-	-	(2,268,726)	-	(2,268,726)
Net income for the six months ended June 30, 2020	-	-	-	-	-	1,763,438	1,763,438	-	-	-	1,763,438	42,939	1,806,377
Other comprehensive loss for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	-	(585,762)	(873,724)	-	(1,459,486)	(21,364)	(1,480,850)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	1,763,438	1,763,438	(585,762)	(873,724)	-	303,952	21,575	325,527
Share-based payments	-	-	(219)	-	-	-	-	-	-	-	(219)	-	(219)
BALANCE AT JUNE 30, 2020	<u>1,140,468</u>	<u>\$ 11,404,677</u>	<u>\$ 10,306,774</u>	<u>\$ 2,081,731</u>	<u>\$ 100,559</u>	<u>\$ 4,740,804</u>	<u>\$ 6,923,094</u>	<u>\$ (1,523,549)</u>	<u>\$ 34,182</u>	<u>\$ (110,032)</u>	<u>\$ 27,035,146</u>	<u>\$ 474,220</u>	<u>\$ 27,509,366</u>
BALANCE AT JANUARY 1, 2021	1,140,468	\$ 11,404,677	\$ 10,310,536	\$ 2,081,731	\$ 100,559	\$ 6,578,580	\$ 8,760,870	\$ (1,022,902)	\$ 1,165,461	\$ (110,032)	\$ 30,508,610	\$ 536,163	\$ 31,044,773
Appropriation of 2020 earnings													
Cash dividends	-	-	-	-	-	(3,062,779)	(3,062,779)	-	-	-	(3,062,779)	-	(3,062,779)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	4,750	-	-	-	-	-	-	-	4,750	240	4,990
Net income for the six months ended June 30, 2021	-	-	-	-	-	2,558,512	2,558,512	-	-	-	2,558,512	36,408	2,594,920
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	-	-	(823,948)	2,191,000	-	1,367,052	(34,129)	1,332,923
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	2,558,512	2,558,512	(823,948)	2,191,000	-	3,925,564	2,279	3,927,843
Share-based payments	-	-	69,148	-	-	-	-	-	-	-	69,148	-	69,148
Disposal of investments in equity instruments at FVTOCI	-	-	-	-	-	54,169	54,169	-	(54,169)	-	-	-	-
Treasury shares transferred to employees	-	-	(346)	-	-	-	-	-	-	108,897	108,551	-	108,551
BALANCE AT JUNE 30, 2021	<u>1,140,468</u>	<u>\$ 11,404,677</u>	<u>\$ 10,384,088</u>	<u>\$ 2,081,731</u>	<u>\$ 100,559</u>	<u>\$ 6,128,482</u>	<u>\$ 8,310,772</u>	<u>\$ (1,846,850)</u>	<u>\$ 3,302,292</u>	<u>\$ (1,135)</u>	<u>\$ 31,553,844</u>	<u>\$ 538,682</u>	<u>\$ 32,092,526</u>

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

(With Deloitte & Touche auditors' review report dated August 6, 2021)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,139,651	\$ 1,998,969
Adjustments for		
Depreciation expenses	288,363	361,193
Amortization expenses	237,632	237,709
Expected credit loss recognized (reversed) on accounts receivable	-	5,874
Net gain (loss) on fair value changes of financial assets and liabilities at fair value through profit or loss	35,514	(32,851)
Interest expenses	46,598	51,562
Interest income	(92,053)	(146,479)
Dividend income	(51,153)	(247,467)
Compensation costs of share-based payments	69,148	(219)
Share of loss (gain) of associates and joint ventures accounted for using the equity method	(12,338)	12,938
Net gain on disposal of property, plant and equipment	(63)	(7,705)
Net loss (gain) on disposal of investments	(653,705)	567
Impairment gain recognized (reversed)	-	(3,371)
(Reversal of) write-downs of inventories	(136,113)	58,301
Other revenue	(23,505)	-
Net unrealized loss (gain) on foreign currency exchange	(5,525)	44,785
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	231,593	-
Contract assets	47,878	61,556
Notes and accounts receivable	(442,692)	(272,493)
Other receivables	(74,092)	(49,759)
Inventories	(861,995)	(229,505)
Prepayments	(108,367)	(44,396)
Other current assets	7,914	2,157
Financial liabilities held for trading	(52,832)	(32,134)
Contract liabilities	(113,032)	(6,087)
Notes and accounts payable	775,564	54,398
Other payables	(76,452)	(107,156)
Other current liabilities	(63,426)	47,883
Net defined benefit liabilities	(2,032)	1,359
Cash generated from operations	2,110,480	1,759,629
Income tax paid	(603,635)	(140,861)
Net cash generated from operating activities	<u>1,506,845</u>	<u>1,618,768</u>

(Continued)

E INK HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (4,312,912)	\$ (1,566,902)
Proceeds from sale of financial assets at fair value through other comprehensive income	232,350	-
Acquisition of financial assets at amortized cost	(5,034,665)	(7,478,307)
Proceeds from disposal of financial assets at amortized cost	4,620,256	8,847,215
Acquisition of financial assets at fair value through profit or loss	(2,288,562)	(883,127)
Proceeds from sale of financial assets at fair value through profit or loss	2,543,550	-
Acquisition of property, plant and equipment	(1,008,931)	(353,756)
Proceeds from disposal of property, plant and equipment	3,131	31,609
Acquisition of other intangible assets	(9,198)	(15,811)
Decrease in other non-current assets	35,004	12,198
Interest received	43,486	176,758
Dividends received	32,687	2,302
Net cash used in investing activities	<u>(5,143,804)</u>	<u>(1,227,821)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	692,062	773,315
Increase in short-term bills payable	145,164	393,886
Repayment of the principal portion of lease liabilities	(47,063)	(37,735)
Increase (decrease) in other non-current liabilities	(3,208)	4,052
Proceeds from treasury shares transferred to employees	108,551	-
Interest paid	(50,972)	(51,078)
Net cash generated from financing activities	<u>844,534</u>	<u>1,082,440</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(443,877)</u>	<u>(152,885)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,236,302)	1,320,502
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>12,954,147</u>	<u>7,047,106</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 9,717,845</u>	<u>\$ 8,367,608</u>

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

(With Deloitte & Touche auditors' review report dated August 6, 2021)

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the “Group”, are presented in New Taiwan dollars, the functional currency of the Company.

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The Group’s consolidated financial statements were reported to the board of directors and issued on August 6, 2021.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

As of the date the consolidated financial statements were issued, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

<u>New, Amended or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

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

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

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Refer to Note 13 and Tables 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main business).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

For the summary of critical accounting judgments and key sources of estimation uncertainty, please refer to the consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	\$ 529	\$ 535	\$ 571
Checking accounts and demand deposits	9,112,958	11,177,373	3,535,339
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	520,746	1,377,311	4,149,973
Repurchase agreements collateralized by notes	<u>83,612</u>	<u>398,928</u>	<u>681,725</u>
	<u>\$ 9,717,845</u>	<u>\$ 12,954,147</u>	<u>\$ 8,367,608</u>

The market rate intervals of demand deposits, time deposits and repurchase agreements collateralized by notes at the end of the reporting periods were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Demand deposits	0.01%-1.15%	0.01%-1.15%	0.01%-1.15%
Time deposits	0.2%-0.8%	0.35%-1.76%	0.4%-2.3%
Repurchase agreements collateralized by notes	0.3%	0.23%	0.7%-1.0%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 5,904	\$ 291,853	\$ -
Non-derivative financial assets			
Mutual funds	-	292,266	2,488,439
Hybrid financial assets			
Structured deposits	<u>479,888</u>	<u>1,415,089</u>	<u>-</u>
	<u>\$ 485,792</u>	<u>\$ 1,999,208</u>	<u>\$ 2,488,439</u>

Financial assets - non-current

Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	\$ 286,137	\$ 292,913	\$ -
Perpetual bonds	1,938,656	1,006,183	840,151
Hybrid financial assets			
Convertible preferred shares	68,419	58,188	16,781
Convertible bonds	<u>257,023</u>	<u>231,727</u>	<u>-</u>
	<u>\$ 2,550,235</u>	<u>\$ 1,589,011</u>	<u>\$ 856,932</u>

Financial liabilities - current

Held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	\$ <u>62,084</u>	\$ <u>-</u>	\$ <u>-</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>June 30, 2021</u>			
Sell	USD/NTD	2021.07-2021.08	USD21,000/NTD585,060
Sell	USD/KRW	2021.07-2022.03	USD211,000/KRW236,334,050
<u>December 31, 2020</u>			
Sell	USD/NTD	2021.01-2021.03	USD40,750/NTD1,160,560
Sell	USD/KRW	2021.01-2021.06	USD139,500/KRW162,521,500

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2021	December 31, 2020	June 30, 2020
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	\$ 12,249,943	\$ 6,426,148	\$ 5,163,500
Investments in debt instruments at FVTOCI	<u>922,859</u>	<u>503,499</u>	<u>-</u>
	<u>\$ 13,172,802</u>	<u>\$ 6,929,647</u>	<u>\$ 5,163,500</u>

a. Investments in equity instruments at FVTOCI

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Non-current</u>			
Domestic investments			
Listed shares and emerging market shares	\$ 10,764,513	\$ 4,992,750	\$ 4,270,361
Unlisted shares	<u>38,409</u>	<u>37,050</u>	<u>33,145</u>
	<u>10,802,922</u>	<u>5,029,800</u>	<u>4,303,506</u>
Foreign investments			
Listed shares	1,407,819	1,330,569	818,958
Unlisted shares	<u>39,202</u>	<u>65,779</u>	<u>41,036</u>
	<u>1,447,021</u>	<u>1,396,348</u>	<u>859,994</u>
	<u>\$ 12,249,943</u>	<u>\$ 6,426,148</u>	<u>\$ 5,163,500</u>

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

b. Investments in debt instruments at FVTOCI

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Non-current</u>			
Foreign investments			
Straight corporate bonds			
5-year	\$ 60,816	\$ 60,230	\$ -
10-year	324,818	347,109	-
10.5-year	270,156	96,160	-
11-year	<u>267,069</u>	<u>-</u>	<u>-</u>
	<u>\$ 922,859</u>	<u>\$ 503,499</u>	<u>\$ -</u>
Coupon rates	3.10%-4.84%	3.10%-4.63%	-
Effective interest rates	2.00%-4.03%	2.14%-4.03%	-

The Group invests only in debt instruments that have low credit risk for the purpose of impairment assessment. The Group's exposure and the external credit ratings are continuously monitored. And the Group makes an assessment of whether there has been a significant increase in credit risk since the last period to the reporting date.

9. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Time deposits with original maturities of more than 3 months (a)	\$ 953,531	\$ 775,515	\$ 2,691,516
Pledged time deposits (b)	1,887,896	1,913,300	2,164,642
Principal guaranteed wealth management products (c)	<u>-</u>	<u>392,836</u>	<u>1,042,124</u>
	<u>\$ 2,841,427</u>	<u>\$ 3,081,651</u>	<u>\$ 5,898,282</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year (d)	\$ 784,917	\$ 226,972	\$ -
Pledged time deposits (b)	139,565	148,928	140,261
Foreign straight corporate bonds (e)	<u>173,796</u>	<u>185,675</u>	<u>-</u>
	<u>\$ 1,098,278</u>	<u>\$ 561,575</u>	<u>\$ 140,261</u>

- a. The market rate intervals for time deposits with original maturities of more than 3 months were 1.15%-1.25%, 1.27%-1.4% and 1.7%-3.16% per annum, as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.
- b. Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.
- c. Principal guaranteed wealth management products bought from banks by the Group may not be redeemed in advance during the term of the contracts. The expected rate of return intervals were 3.25% and 3.05%-3.4% per annum, as of December 31, 2020 and June 30, 2020, respectively.
- d. The market rate for time deposits with original maturities of more than 1 year was 3.99% as of June 30, 2021 and December 31, 2020.
- e. The Group bought 10-year foreign corporate bonds with a coupon rate of 4.49%, and an effective rate of 4.46% in December 2020.
- f. The credit risk of financial instruments such as bank deposits, wealth management products, and corporate bonds invested by the Group is measured and monitored by the financial department. The Group's counterparties are all reputable banks and companies.

10. NOTES AND ACCOUNTS RECEIVABLE

	June 30, 2021	December 31, 2020	June 30, 2020
Notes and accounts receivable	\$ 1,754,381	\$ 1,406,322	\$ 2,249,353
Less: Loss allowance	<u>(24,413)</u>	<u>(25,466)</u>	<u>(31,571)</u>
	<u>1,729,968</u>	<u>1,380,856</u>	<u>2,217,782</u>
Accounts receivable from related parties (Note 30)	115,308	26,722	80,682
Less: Loss allowance	<u>(17,288)</u>	<u>(17,673)</u>	<u>-</u>
	<u>98,020</u>	<u>9,049</u>	<u>80,682</u>
	<u>\$ 1,827,988</u>	<u>\$ 1,389,905</u>	<u>\$ 2,298,464</u>

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

The following table details the loss allowance for notes and accounts receivable:

June 30, 2021

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	100%	
Gross carrying amount	\$ 1,824,266	\$ 3,722	\$ 41,701	\$ 1,869,689
Loss allowance	<u>-</u>	<u>-</u>	<u>(41,701)</u>	<u>(41,701)</u>
Amortized cost	<u>\$ 1,824,266</u>	<u>\$ 3,722</u>	<u>\$ -</u>	<u>\$ 1,827,988</u>

December 31, 2020

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	99%	
Gross carrying amount	\$ 1,389,237	\$ 159	\$ 43,648	\$ 1,433,044
Loss allowance	<u>-</u>	<u>-</u>	<u>(43,139)</u>	<u>(43,139)</u>
Amortized cost	<u>\$ 1,389,237</u>	<u>\$ 159</u>	<u>\$ 509</u>	<u>\$ 1,389,905</u>

June 30, 2020

	Not Past Due	Past Due in 1-90 Days	Past Due over 90 Days	Total
Expected credit loss rate	0%	0%	92%	
Gross carrying amount	\$ 2,109,310	\$ 157,792	\$ 62,933	\$ 2,330,035
Loss allowance	<u>-</u>	<u>-</u>	<u>(31,571)</u>	<u>(31,571)</u>
Amortized cost	<u>\$ 2,109,310</u>	<u>\$ 157,792</u>	<u>\$ 31,362</u>	<u>\$ 2,298,464</u>

The movements of the loss allowance were as follows:

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 43,139	\$ 26,504
Add: Expected credit losses recognized	-	5,874
Foreign exchange translation gains and losses	<u>(1,438)</u>	<u>(807)</u>
Balance at June 30	<u>\$ 41,701</u>	<u>\$ 31,571</u>

Notes and accounts receivable of the Group were mainly concentrated in Customers A, B, C, and D. The notes and accounts receivable from the foregoing customers, as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively, were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Customer A	\$ 348,631	\$ 185,060	\$ 227,285
Customer B	306,378	73,961	635,842
Customer C	198,431	672,851	495,828
Customer D	<u>121,687</u>	<u>177,781</u>	<u>128,924</u>
	<u>\$ 975,127</u>	<u>\$ 1,109,653</u>	<u>\$ 1,487,879</u>

11. INVENTORIES

	June 30, 2021	December 31, 2020	June 30, 2020
Finished goods	\$ 527,040	\$ 556,685	\$ 331,771
Semi-finished goods	279,302	316,051	345,319
Work in progress	151,147	106,362	96,582
Raw materials	<u>2,010,167</u>	<u>1,061,331</u>	<u>1,312,830</u>
	<u>\$ 2,967,656</u>	<u>\$ 2,040,429</u>	<u>\$ 2,086,502</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020 included (reversal of) write-downs of inventories \$(15,186) thousand, \$(64,040) thousand, \$136,113 thousand and \$(58,301) thousand, respectively. Previous write-downs were reversed as a result of the disposal of obsolete inventories.

12. NON-CURRENT ASSETS HELD FOR SALE

	June 30, 2021	December 31, 2020	June 30, 2020
Land use rights, plant and equipment held for sale	<u>\$ -</u>	<u>\$ 9,342</u>	<u>\$ 105,975</u>
Liabilities directly associated with equipment held for sale (included in other current liabilities)	<u>\$ -</u>	<u>\$ 17,919</u>	<u>\$ 17,182</u>

- a. In November 2019, the subsidiary Yangzhou Huaxia Integrated O/E System Co., Ltd. signed an expropriation and compensation agreement with Yangzhou Economic and Technological Development Zone's Demolition Placement Management Office, disposing of the land use rights of 182.77 mus, along with the building's accessories and related subsidies, with an amount of RMB328,986 thousand. Due to the sale price is expected to exceed the carrying amount of the related net assets, the Group did not recognize impairment loss when the land use rights, plant and equipment were reclassified as non-current assets held for sale. The Group had received all payments in October 2020 and recognized gains on disposal of non-current assets held for sale of NT\$367,945 thousand (RMB85,436 thousand) and deferred revenue of NT\$962,015 thousand (RMB220,400 thousand) for the year ended December 31, 2020. The Group had recognized revenue from government grants in the amount of \$23,503 thousand (RMB5,294 thousand, included in other income) for the six months ended June 30, 2021, based on the progress the performance obligation is satisfied.
- b. The subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., is expected to dispose of a batch of equipment to a non-related party. Transcend Optronics (Yangzhou) Co., Ltd. has received partial contract price of NT\$17,919 thousand and NT\$17,182 thousand (RMB4,105 thousand, included in other current liabilities), respectively, as of December 31, 2020 and June 30, 2020. The sale price is expected to exceed the carrying amount of the related net assets. Hence, the Group did not recognize impairment loss when the aforementioned equipment was reclassified as non-current assets held for sale.

As the above-mentioned transactions did not proceed as expected, the Group reclassified such equipment to property, plant and equipment, and recognized depreciation expenses for the three months ended March 31, 2021.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Main Business	Proportion of Ownership (%)			Remark	
			June 30, 2021	December 31, 2020	June 30, 2020		
E Ink Holdings Inc.	PVI Global Corp.	Investment	100.00	100.00	100.00	a	
	E Ink Corporation	Manufacture and sale of electronic ink	45.31	45.31	45.31		
	YuanHan Materials Inc.	Research, development and sale of electronic parts and electronic ink	100.00	100.00	100.00		
	New Field e-Paper Co., Ltd.	Wholesale and sale of electronic parts	100.00	100.00	100.00		
	Dream Universe Ltd.	Trading	100.00	100.00	100.00		
	Prime View Communications Ltd.	Trading	100.00	100.00	100.00		
	Tech Smart Logistics Ltd.	Trading	0.09	0.09	0.09		
New Field e-Paper Co., Ltd.	Hot Tracks International Ltd.	Trading	-	-	100.00	e	
	Linfiny Corporation	Research, development and sale of electronic ink	4.00	4.00	4.00		
	E Ink Japan	Development of electronics ink products	100.00	100.00	-	c	
	E Ink Corporation	Manufacture and sale of electronic ink	12.88	12.88	12.88		
	Tech Smart Logistics Ltd.	Trading	99.91	99.91	99.91		
	YuanHan Materials Inc.	Lucky Joy Holdings Ltd.	Investment	-	-	-	d
	Linfiny Corporation	Linfiny Corporation	Research, development and sale of electronic ink	77.00	77.00	77.00	
E Ink Corporation	Linfiny Japan Inc.	Research and development of electronic ink	100.00	100.00	100.00		
	E Ink California, LLC	Research, development and sale of electronic ink	100.00	100.00	100.00		
	E Ink Japan Inc.	Development of electronics ink products	-	-	100.00	c	
PVI Global Corp.	PVI International Corp.	Trading	100.00	100.00	100.00	a,h	
	Ruby Lustre Ltd.	Investment	100.00	100.00	100.00		
	Dream Pacific International Corp.	Investment	100.00	100.00	100.00		
	Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	55.61	55.61	55.61	b	
Tech Smart Logistics Ltd.	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of flat panels	-	-	66.66	f	
	E Ink Corporation	Manufacture and sale of electronic ink	41.81	41.81	41.81		
PVI International Corp.	Transcend Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	100.00	100.00	100.00	a, h	
	Rich Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	100.00	100.00	100.00		
Dream Pacific International Corp.	Hydis Technologies Co., Ltd.	Research, development and licensing of monitors	94.73	94.73	94.73		
	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	-	24.19	24.19	g	
Transcend Optronics (Yangzhou) Co., Ltd.	Yangzhou Huaxia Integrated O/E System Co., Ltd.	Manufacture and sale of LED products	-	75.81	75.81	g	
	Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	44.39	44.39	44.39	b	
	Transmart Electronics (Yangzhou) Ltd.	Research, development and sale of flat panels	-	-	33.34	f	

- a. In January 2020, the Group invested US\$9,000 thousand in cash in its subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., through PVI Global Corp. and PVI International Corp.

- b. In February 2020, the subsidiary Transyork Technology Yangzhou Ltd. resolved to implement a capital reduction and refund of share proceeds totaling US\$35,000 thousand to PVI Global Corp. and Transcend Optronics (Yangzhou) Co., Ltd., and the capital reduction has been completed.
- c. To adjust the investment structure, the Company purchased 100% ownership of E Ink Japan Inc. from E Ink Corporation in September 2020.
- d. Lucky Joy Holdings Ltd. has completed its liquidation process in March 2020.
- e. Hot Tracks International Ltd. had completed its liquidation process in October 2020.
- f. Transmart Electronics (Yangzhou) Ltd. had completed its liquidation process in November 2020.
- g. Yangzhou Huaxia Integrated O/E System Co., Ltd. had completed its liquidation process in January 2021.
- h. In June 2021, the Group invested US\$9,000 thousand in cash in its subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., through PVI International Corp.

Subsidiaries included in the consolidated financial statements for the six months ended June 30, 2021 and 2020, were calculated based on the financial statements that have not been reviewed, except for E Ink Corporation, Hydys Technologies Co., Ltd., Dream Pacific International Corp., Tech Smart Logistic Ltd., PVI International Corp., PVI Global Corp., Prime View Communications Ltd., Transcend Optronics (Yangzhou) Co., Ltd., Rich Optronics (Yangzhou) Co., Ltd., Transyork Technology Yangzhou Ltd., YuanHan Materials Inc. and New Field e-Paper Co., Ltd. were calculated based on the financial statements that have been reviewed.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2021	December 31, 2020	June 30, 2020
Associates and joint ventures that are not individually material			
Investments in associates	\$ 765,655	\$ 30,388	\$ 36,733
Investments in joint ventures	<u>95,645</u>	<u>99,658</u>	<u>93,116</u>
	<u>\$ 861,300</u>	<u>\$ 130,046</u>	<u>\$ 129,849</u>

Refer to Tables 7 and 8 for the nature of activities, principal place of business and country of incorporation of the associates.

Aggregate Information of Associates and Joint Ventures That Are Not Individually Material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
The Group's share of:				
Net profit (loss) for the period	\$ 19,073	\$ (5,192)	\$ 12,338	\$ (12,938)
Other comprehensive income (loss)	<u>(1,094)</u>	<u>(2,138)</u>	<u>(1,841)</u>	<u>(4,908)</u>
Total comprehensive income (loss) for the period	<u>\$ 17,979</u>	<u>\$ (7,330)</u>	<u>\$ 10,497</u>	<u>\$ (17,846)</u>

In May 2021, the subsidiary E Ink Corporation used its microfluidic technology (including related equipment and inventory, etc. amounted to approximately US\$1,909 thousand) to exchange for Nuclera Nucleics Ltd.'s 26.5% equity share. The investment was accounted for using the equity method. The transaction price was US\$25,000 thousand and recognized gain on disposal of investments was \$663,600 thousand (included in net gain on disposal of investments).

Investments in associates and joint ventures that are not individually material were accounted for using the equity method and the amounts of the share in profit or loss and other comprehensive income (loss) of those investments were calculated based on financial statements which have not been reviewed.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ -	\$ 3,686,606	\$ 7,075,310	\$ 4,741,387	\$ 477,102	\$ 15,980,405
Additions	-	-	73,744	33,559	177,886	285,189
Disposals	-	(1,270)	(596,995)	(202,765)	-	(801,030)
Reclassifications	-	-	(30,442)	(293,587)	(44,967)	(368,996)
Effects of foreign currency exchange differences	-	(40,005)	(42,871)	(54,663)	(6,523)	(144,062)
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 3,645,331</u>	<u>\$ 6,478,746</u>	<u>\$ 4,223,931</u>	<u>\$ 603,498</u>	<u>\$ 14,951,506</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ 2,142,707	\$ 6,339,409	\$ 3,393,972	\$ -	\$ 11,876,088
Depreciation expenses	-	65,195	137,872	115,726	-	318,793
Impairment losses recognized (reversed)	-	-	2	(3,373)	-	(3,371)
Disposals	-	(1,097)	(595,347)	(201,575)	-	(798,019)
Reclassifications	-	-	(10,611)	(290,214)	-	(300,825)
Effects of foreign currency exchange differences	-	(21,412)	(34,049)	(41,351)	-	(96,812)
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 2,185,393</u>	<u>\$ 5,837,276</u>	<u>\$ 2,973,185</u>	<u>\$ -</u>	<u>\$ 10,995,854</u>
Carrying amount at January 1, 2020	<u>\$ -</u>	<u>\$ 1,543,899</u>	<u>\$ 735,901</u>	<u>\$ 1,347,415</u>	<u>\$ 477,102</u>	<u>\$ 4,104,317</u>
Carrying amount at June 30, 2020	<u>\$ -</u>	<u>\$ 1,459,938</u>	<u>\$ 641,470</u>	<u>\$ 1,250,746</u>	<u>\$ 603,498</u>	<u>\$ 3,955,652</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ -	\$ 3,504,446	\$ 6,676,132	\$ 4,357,397	\$ 724,833	\$ 15,262,808
Additions	-	-	2,092	7,685	891,500	901,277
Disposals	-	-	(132,619)	(15,613)	(17,999)	(166,231)
Reclassifications	22,041	293,878	139,343	34,672	(449,512)	40,422
Effects of foreign currency exchange differences	(244)	(26,433)	(30,623)	(53,716)	(9,730)	(120,746)
Balance at June 30, 2021	<u>\$ 21,797</u>	<u>\$ 3,771,891</u>	<u>\$ 6,654,325</u>	<u>\$ 4,330,425</u>	<u>\$ 1,139,092</u>	<u>\$ 15,917,530</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ -	\$ 2,109,203	\$ 6,022,166	\$ 3,055,529	\$ -	\$ 11,186,898
Depreciation expenses	-	65,270	77,915	104,623	-	247,808
Disposals	-	-	(125,208)	(6,428)	-	(131,636)
Reclassifications	-	-	50,942	-	-	50,942
Effects of foreign currency exchange differences	-	(13,307)	(23,822)	(34,817)	-	(71,946)
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 2,161,166</u>	<u>\$ 6,001,993</u>	<u>\$ 3,118,907</u>	<u>\$ -</u>	<u>\$ 11,282,066</u>

(Continued)

	Land	Buildings	Machinery	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Carrying amount at December 31, 2020 and January 1, 2021	\$ -	\$ 1,395,243	\$ 653,966	\$ 1,301,868	\$ 724,833	\$ 4,075,910
Carrying amount at June 30, 2021	\$ 21,797	\$ 1,610,725	\$ 652,332	\$ 1,211,518	\$ 1,139,092	\$ 4,635,464

(Concluded)

Information about capitalized interest is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Capitalized interest	\$ 1,161	\$ 305	\$ 1,603	\$ 629
Capitalization rate intervals	0.81%-0.82%	0.84%-0.86%	0.81%-0.84%	0.84%-0.98%

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

Buildings	
Main buildings	20-56 years
Clean rooms and plumbing construction	25-30 years
Employee dormitories	20 years
Others	2-20 years
Machinery	1-10 years
Other equipment	1-26 years

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amounts</u>			
Land	\$ 801,019	\$ 813,459	\$ 825,898
Buildings	812,426	831,441	884,158
Other equipment	<u>4,753</u>	<u>1,809</u>	<u>1,368</u>
	<u>\$ 1,618,198</u>	<u>\$ 1,646,709</u>	<u>\$ 1,711,424</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Additions to right-of-use assets			\$ 30,854	\$ -
Depreciation of right-of-use assets				
Land	\$ 6,220	\$ 6,220	\$ 12,440	\$ 12,440
Buildings	13,505	14,367	27,178	29,081
Other equipment	<u>539</u>	<u>439</u>	<u>937</u>	<u>879</u>
	<u>\$ 20,264</u>	<u>\$ 21,026</u>	<u>\$ 40,555</u>	<u>\$ 42,400</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2021 and 2020.

b. Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amounts</u>			
Current (included in other current liabilities)	\$ <u>67,455</u>	\$ <u>62,045</u>	\$ <u>68,179</u>
Non-current	\$ <u>1,586,656</u>	\$ <u>1,617,605</u>	\$ <u>1,675,848</u>

Discount rate intervals for lease liabilities are as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Land	1.56%	1.56%	1.56%
Buildings	0.61%-2.89%	0.65%-3.84%	0.65%-3.84%
Other equipment	0.61%-2.89%	0.61%-2.89%	0.80%-2.89%

c. Material lease-in activities and terms

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

The Group also leased certain land and buildings as its plants and offices, with the lease term from 2 to 20 years. The lease contract for land located in Taoyuan specifies that lease payments will be adjusted every year on the basis of changes in announced land values, with the adjusted limitation of 3% and renewal options at the end of the lease terms. The lease contract for buildings in the United States contains extension options, which provide more operational flexibility for the Group. These terms are not reflected in measuring lease liabilities if the options are not reasonably certain to be exercised.

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

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Expenses relating to short-term leases	<u>\$ 6,798</u>	<u>\$ 16,766</u>	<u>\$ 19,276</u>	<u>\$ 29,621</u>
Expenses relating to low-value asset leases	<u>\$ 135</u>	<u>\$ 136</u>	<u>\$ 275</u>	<u>\$ 291</u>
Total cash outflow for leases			<u>\$ 75,035</u>	<u>\$ 88,677</u>

The Group's leases of other equipment qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Patents	Others	Total
Balance at January 1, 2020	\$ 6,720,745	\$ 1,242,606	\$ 144,490	\$ 8,107,841
Additions	-	6,814	8,997	15,811
Amortization expenses	-	(202,637)	(35,072)	(237,709)
Reclassifications	-	32,267	43,731	75,998
Effects of foreign currency exchange differences	<u>(28,809)</u>	<u>(10,641)</u>	<u>(221)</u>	<u>(39,671)</u>
Balance at June 30, 2020	<u>\$ 6,691,936</u>	<u>\$ 1,068,409</u>	<u>\$ 161,925</u>	<u>\$ 7,922,270</u>
Balance at January 1, 2021	\$ 6,597,276	\$ 925,095	\$ 140,616	\$ 7,662,987
Additions	-	9,198	-	9,198
Amortization expenses	-	(197,088)	(40,544)	(237,632)
Reclassifications	-	-	70,429	70,429
Effects of foreign currency exchange differences	<u>(51,033)</u>	<u>(14,422)</u>	<u>(70)</u>	<u>(65,525)</u>
Balance at June 30, 2021	<u>\$ 6,546,243</u>	<u>\$ 722,783</u>	<u>\$ 170,431</u>	<u>\$ 7,439,457</u>

The Group recognized goodwill in acquiring the patented technologies of electronic ink and electronic paper, which are mainly used in researching, developing, and manufacturing monitors and electronic shelf labels. The carrying amount of goodwill was allocated to the cash-generating units of these two products, and the recoverable amount of each cash-generating unit was determined based on a value in use calculation. The recoverable amount was determined by management based on financial budgets covering a 5-year period and discount rates of 12.20%-12.41% and 12.67%-13.12% per annum for the years ended December 31, 2020 and 2019, respectively. The cash flows beyond that 5-year period have been extrapolated using a steady annual growth rate. Other key assumptions included budgeted revenue and budgeted gross profit. Such assumptions were based on the past performance of the cash-generating unit and management's expectations of market development.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	6-20 years
Others	1-5 years

18. BORROWINGS

a. Short-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured borrowings	\$ 4,435,066	\$ 3,769,200	\$ 3,432,000
Secured borrowings (Note 31)	<u>1,623,973</u>	<u>1,625,045</u>	<u>1,881,553</u>
	<u>\$ 6,059,039</u>	<u>\$ 5,394,245</u>	<u>\$ 5,313,553</u>
Foreign currency included US\$ (in thousands)	<u>\$ 93,109</u>	<u>\$ 83,014</u>	<u>\$ 50,003</u>
Interest rate intervals	0.33%-1.05%	0.45%-1.20%	0.85%-1.77%

b. Short-term bills payable

	June 30, 2021	December 31, 2020	June 30, 2020
Commercial paper	\$ 951,000	\$ 806,000	\$ 974,000
Less: Discounts on bills payable	<u>224</u>	<u>388</u>	<u>227</u>
	<u>\$ 950,776</u>	<u>\$ 805,612</u>	<u>\$ 973,773</u>
Interest rate intervals	0.41%-0.68%	0.31%-0.65%	0.33%-0.79%

c. Long-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured borrowings	<u>\$ 63,000</u>	<u>\$ 63,000</u>	<u>\$ -</u>
Interest rate intervals	0.65%-0.80%	0.65%-0.80%	-

Long-term unsecured borrowings will expire in December 2025, and interests are repaid on a monthly basis.

To enrich medium-term working capital, the Group entered into a syndicated loan agreement with syndicate of banks on December 15, 2020, and the total credit facility is \$6,800,000 thousand. The duration period is within 5 years from the first drawdown date. As of June 30, 2021 and December 31, 2020, the lines of credit has not been used.

19. OTHER PAYABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Payables for dividends	\$ 3,062,779	\$ -	\$ 2,268,726
Payables for salaries or bonuses	741,850	835,158	710,756
Payables for construction and equipment	83,095	191,397	53,631
Payables for professional service fees	65,198	63,877	64,032
Payables for labors and health insurances	22,463	23,625	19,498
Payables for utilities	19,119	27,699	22,968
Payables for pensions	16,844	14,954	12,774
Others	<u>254,012</u>	<u>254,027</u>	<u>222,872</u>
	<u>\$ 4,265,360</u>	<u>\$ 1,410,737</u>	<u>\$ 3,375,257</u>

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its subsidiary, YuanHan Materials Inc., adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, each entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group’s subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China.

b. Defined benefit plans

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

The defined benefit plan adopted by Hydis Technologies Co., Ltd. in accordance with the law is operated by the government of South Korea.

Employee benefit expenses in respect of the Group’s defined benefit retirement plans were \$850 thousand, \$1,523 thousand, \$2,741 thousand and \$3,241 thousand for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, respectively, which were calculated using the actuarially determined pension cost rate as of December 31, 2020 and 2019, respectively.

21. EQUITY

a. Ordinary shares

	June 30, 2021	December 31, 2020	June 30, 2020
Number of shares authorized (in thousands)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Amount of shares authorized	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,140,468</u>	<u>1,140,468</u>	<u>1,140,468</u>
Amount of shares issued	<u>\$ 11,404,677</u>	<u>\$ 11,404,677</u>	<u>\$ 11,404,677</u>

b. Capital surplus

	June 30, 2021	December 31, 2020	June 30, 2020
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)			
Issuance of shares	\$ 9,494,322	\$ 9,494,322	\$ 9,494,322
Conversion of bonds	525,200	525,200	525,200
Treasury share transactions	151,920	151,920	151,920
<u>May only be used to offset a deficit</u>			
Expired employee share options	57,448	50,346	50,346
Changes in percentage of ownership interests in associates (2)	8,945	4,195	105
Unclaimed dividends extinguished by prescription	40	40	40
<u>May not be used for any purpose</u>			
Employee share options	-	84,513	84,841
Other (3)	<u>146,213</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,384,088</u>	<u>\$ 10,310,536</u>	<u>\$ 10,306,774</u>

- Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- Such capital surplus arises from the effect of changes in ownership interest in associates resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of associates accounted for using the equity method.
- Such capital surplus arises from the employee share options exercised with total proceeds collected, but the shares have not been transferred to employees as of June 30, 2021. Therefore, the related capital surplus - employee share options was reclassified to capital surplus - others.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with at least 50% of any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Note 23.

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

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

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

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

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

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

The appropriations of earnings for 2019 were approved in the shareholders' meetings on June 18, 2020; the above 2020 appropriation for cash dividends had been resolved by the Company's board of directors on March 16, 2021. The Group suspended its originally scheduled shareholders' meeting in response to the FSC's announcement: "For pandemic prevention, the FSC demands public companies to postpone their shareholders' meetings". The other proposed appropriation for 2020 was resolved by the shareholders in their meeting held on July 7, 2021.

d. Special reserve

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 100,559	\$ 255,475
Reversals:		
Reversal of the debits to other equity items	<u> -</u>	<u> (154,916)</u>
Balance at June 30	<u>\$ 100,559</u>	<u>\$ 100,559</u>

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

e. Other equity items

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

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ (1,022,902)	\$ (937,787)
Exchange differences on translating the financial statements of foreign operations	(822,107)	(581,421)
Share of associates and join ventures accounted for using the equity method	(1,841)	(4,908)
Disposal of subsidiaries	<u> -</u>	<u> 567</u>
Balance at June 30	<u>\$ (1,846,850)</u>	<u>\$ (1,523,549)</u>

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

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 1,165,461	\$ 907,906
Unrealized gain (loss) on equity instruments	2,207,046	(873,724)
Unrealized loss on debt instruments	(16,046)	-
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u> (54,169)</u>	<u> -</u>
Balance at June 30	<u>\$ 3,302,292</u>	<u>\$ 34,182</u>

f. Non-controlling interests

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 536,163	\$ 452,645
Share of profit for the period	36,408	42,939
Unrealized gain (loss) on financial assets at FVTOCI		
Equity instruments	2,017	(269)
Debt instruments	(899)	-
Exchange differences on translating the financial statements of foreign operations	(35,247)	(21,095)
Share from associates accounted for using the equity method	<u>240</u>	<u>-</u>
Balance at June 30	<u>\$ 538,682</u>	<u>\$ 474,220</u>

g. Treasury shares

	For the Six Months Ended June 30	
	2021	2020
Number of shares in thousands at the beginning and the end of the period	<u>6,105</u>	<u>6,105</u>

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

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

22. REVENUE

a. Revenue from contracts with customers

Type of Revenue	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Revenue from sale of goods (Note)				
Consumer electronics	\$ 2,299,618	\$ 2,253,290	\$ 4,974,855	\$ 3,911,120
Internet of Things applications	1,725,802	1,476,758	3,486,013	2,737,952
Others	<u>24,997</u>	<u>775</u>	<u>25,313</u>	<u>3,878</u>
	<u>\$ 4,050,417</u>	<u>\$ 3,730,823</u>	<u>\$ 8,486,181</u>	<u>\$ 6,652,950</u>
Royalty income	<u>\$ 553,063</u>	<u>\$ 577,223</u>	<u>\$ 909,202</u>	<u>\$ 948,457</u>

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

b. Contract balances

	June 30, 2021	December 31, 2020	June 30, 2020	January 1, 2020
Notes and accounts receivable (Note 10)	<u>\$ 1,827,988</u>	<u>\$ 1,389,905</u>	<u>\$ 2,298,464</u>	<u>\$ 2,059,829</u>
Contract assets - current				
Royalty	<u>\$ -</u>	<u>\$ 46,900</u>	<u>\$ 444</u>	<u>\$ 60,088</u>
Contract liabilities - current				
Royalty	\$ 1,337,066	\$ 1,187,673	\$ 1,447,294	\$ 1,215,378
Sale of goods	<u>278,787</u>	<u>267,997</u>	<u>191,213</u>	<u>83,230</u>
	<u>1,615,853</u>	<u>1,455,670</u>	<u>1,638,507</u>	<u>1,298,608</u>
Contract liabilities - non-current				
Royalty	<u>49,207</u>	<u>351,361</u>	<u>656,265</u>	<u>1,024,259</u>
	<u>\$ 1,665,060</u>	<u>\$ 1,807,031</u>	<u>\$ 2,294,772</u>	<u>\$ 2,322,867</u>

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

Type of Revenue	For the Six Months Ended June 30	
	2021	2020
Royalty income	\$ 634,629	\$ 641,849
Revenue from sale of goods	<u>264,663</u>	<u>80,942</u>
	<u>\$ 899,292</u>	<u>\$ 722,791</u>

23. NET INCOME

a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Bank deposits	\$ 5,112	\$ 20,316	\$ 11,492	\$ 47,362
Financial assets at FVTPL	16,175	9,523	31,989	11,532
Financial assets at amortized cost	17,920	38,374	38,280	86,654
Others	<u>5,560</u>	<u>445</u>	<u>10,292</u>	<u>931</u>
	<u>\$ 44,767</u>	<u>\$ 68,658</u>	<u>\$ 92,053</u>	<u>\$ 146,479</u>

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Property, plant and equipment	\$ 120,122	\$ 157,749	\$ 247,808	\$ 318,793
Other intangible assets	119,459	120,026	237,632	237,709
Right-of-use assets	<u>20,264</u>	<u>21,026</u>	<u>40,555</u>	<u>42,400</u>
	<u>\$ 259,845</u>	<u>\$ 298,801</u>	<u>\$ 525,995</u>	<u>\$ 598,902</u>
An analysis of depreciation by function				
Operating costs	\$ 41,282	\$ 75,995	\$ 88,074	\$ 153,498
Operating expenses	<u>99,104</u>	<u>102,780</u>	<u>200,289</u>	<u>207,695</u>
	<u>\$ 140,386</u>	<u>\$ 178,775</u>	<u>\$ 288,363</u>	<u>\$ 361,193</u>
An analysis of amortization by function				
Operating costs	\$ 2,054	\$ 2,173	\$ 4,108	\$ 3,371
Operating expenses	<u>117,405</u>	<u>117,853</u>	<u>233,524</u>	<u>234,338</u>
	<u>\$ 119,459</u>	<u>\$ 120,026</u>	<u>\$ 237,632</u>	<u>\$ 237,709</u>

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Post-employment benefits (Note 20)				
Defined contribution plans	\$ 21,444	\$ 13,796	\$ 42,903	\$ 32,157
Defined benefit plans	<u>850</u>	<u>1,523</u>	<u>2,741</u>	<u>3,241</u>
	22,294	15,319	45,644	35,398
Share-based payments				
Equity-settled	69,148	(219)	69,148	(219)
Other employee benefits	<u>941,249</u>	<u>904,081</u>	<u>1,905,278</u>	<u>1,792,261</u>
Total employee benefits expense	<u>\$ 1,032,691</u>	<u>\$ 919,181</u>	<u>\$ 2,020,070</u>	<u>\$ 1,827,440</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 284,194	\$ 215,646	\$ 557,771	\$ 406,323
Operating expenses	<u>748,497</u>	<u>703,535</u>	<u>1,462,299</u>	<u>1,421,117</u>
	<u>\$ 1,032,691</u>	<u>\$ 919,181</u>	<u>\$ 2,020,070</u>	<u>\$ 1,827,440</u>

d. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at the rates of no less than 1% and no higher than 10% as well as remuneration of directors at the rates of no higher than 1%, respectively, of net income before income tax, employees' compensation and remuneration of directors, net of accumulated deficit, if any. The estimated employees' compensation and remuneration of directors for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Employees' compensation	<u>\$ 14,200</u>	<u>\$ 10,080</u>	<u>\$ 27,300</u>	<u>\$ 18,300</u>
Remuneration of directors	<u>\$ 4,750</u>	<u>\$ 4,650</u>	<u>\$ 9,500</u>	<u>\$ 9,300</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 16, 2021 and March 18, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Employees' compensation	<u>\$ 38,650</u>	<u>\$ 31,900</u>
Remuneration of directors	<u>\$ 20,000</u>	<u>\$ 15,579</u>

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

24. INCOME TAXES

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 266,065	\$ 49,561	\$ 446,559	\$ 186,936
Income tax on unappropriated earnings	-	34,438	-	34,438
Adjustments for the prior years	<u>(23,950)</u>	<u>(2,959)</u>	<u>(66,723)</u>	<u>1,493</u>
	242,115	81,040	379,836	222,867
Deferred tax				
In respect of the current period	<u>126,568</u>	<u>35,807</u>	<u>164,895</u>	<u>(30,275)</u>
Income tax expense recognized in profit or loss	<u>\$ 368,683</u>	<u>\$ 116,847</u>	<u>\$ 544,731</u>	<u>\$ 192,592</u>

- b. Income tax recognized directly in equity

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Deferred tax				
Disposal of investments in equity instruments designated as at FVTOCI	<u>\$ 18,256</u>	<u>\$ -</u>	<u>\$ 18,256</u>	<u>\$ -</u>

- c. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
<u>Deferred tax</u>				
Disposal of investments in equity instruments designated as at FVTOCI	<u>\$ 5,860</u>	<u>\$ -</u>	<u>\$ 5,860</u>	<u>\$ -</u>

d. Income tax assessments

Income tax assessments of the Group were as follows:

Company	<u>Latest Assessment Year</u>
The Company	2018
YuanHan Materials Inc.	2019
New Field e-Paper Co., Ltd.	2019
Linfiny Corporation	2019

25. EARNINGS PER SHARE

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2021	2020	2021	2020
Basic earnings per share (NT\$)	<u>\$ 1.23</u>	<u>\$ 0.86</u>	<u>\$ 2.26</u>	<u>\$ 1.55</u>
Diluted earnings per share (NT\$)	<u>\$ 1.22</u>	<u>\$ 0.86</u>	<u>\$ 2.25</u>	<u>\$ 1.55</u>

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

Net Income for the Period

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2021	2020	2021	2020
Net income for the period attributable to owners of the Company	<u>\$ 1,391,683</u>	<u>\$ 976,178</u>	<u>\$ 2,558,512</u>	<u>\$ 1,763,438</u>

Number of Shares

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2021	2020	2021	2020
Weighted average number of ordinary shares (in thousands) used in the computation of basic earnings per share	1,134,363	1,134,363	1,134,363	1,134,363
Effect of potentially dilutive ordinary shares (in thousands)				
Employees' compensation	366	451	669	1,064
Share-based payment arrangements	<u>3,955</u>	<u>2,286</u>	<u>3,652</u>	<u>2,182</u>
Weighted average number of ordinary shares (in thousands) used in the computation of diluted earnings per share	<u>1,138,684</u>	<u>1,137,100</u>	<u>1,138,684</u>	<u>1,137,609</u>

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

26. SHARE-BASED PAYMENT ARRANGEMENTS

a. Treasury shares transferred to employees

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

Information about treasury shares transferred to employees is as follows:

For the six months ended June 30, 2021

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

For the six months ended June 30, 2020

Grant Date	Transferable Shares in Thousands	Shares in Thousands Transferred for the Period	Accumulated Shares in Thousands Transferred	Expired Shares in Thousands	Shares in Thousands at the End of the Period
August 14, 2018	<u>5,885</u>	<u> </u>	<u>40</u>	<u>525</u>	<u>5,320</u>

Treasury shares transferred to employees in 2021 and 2018 were priced using a Black-Scholes pricing model. Compensation cost recognized was both \$69,148 thousand for the three months ended June 30, 2021 and for the six months ended June 30, 2021. Compensation cost was \$219 thousand and the same amount of capital surplus - employee share options was reversed both for the three months ended June 30, 2020 and for the six months ended June 30, 2020. The inputs to the models are as follows:

	May 2021	August 2018
Grant date share price (NT\$)	\$61.4	\$36.85
Exercise price (NT\$)	\$18.02	\$18.02
Expected volatility	40.30%	53.23%
Expected life	0-1 year	0-1 year
Expected dividend yield	3.77%	2.46%
Risk-free interest rate	0.76%	0.91%
Weighted-average fair value of options granted (NT\$)	\$42.90	\$18.80

b. Employee share options plan

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

27. NON-CASH TRANSACTIONS

For the six months ended June 30, 2021 and 2020, the Group entered into the following non-cash investing activities:

	For the Six Months Ended June 30	
	2021	2020
Acquisition of property, plant and equipment		
Increase in property, plant and equipment	\$ 901,277	\$ 285,189
Decrease in payables for construction and equipment (included in other payables)	<u>107,654</u>	<u>68,567</u>
Net cash paid	<u>\$ 1,008,931</u>	<u>\$ 353,756</u>

28. CAPITAL MANAGEMENT

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

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

29. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

<u>June 30, 2021</u>	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivate financial assets				
Foreign exchange forward contracts	\$ -	\$ 5,904	\$ -	\$ 5,904
Non-derivative financial assets				
Mutual funds	286,137	-	-	286,137
Perpetual bonds	-	1,938,656	-	1,938,656

(Continued)

	Level 1	Level 2	Level 3	Total
Hybrid financial assets				
Convertible preferred shares	\$ -	\$ -	\$ 68,419	\$ 68,419
Convertible bonds	-	-	257,023	257,023
Structured deposits	-	479,888	-	479,888
	<u>\$ 286,137</u>	<u>\$ 2,424,448</u>	<u>\$ 325,442</u>	<u>\$ 3,036,027</u>

Financial assets at FVTOCI

Investments in equity instruments				
Domestic and overseas listed shares and emerging market shares	\$ 12,172,332	\$ -	\$ -	\$ 12,172,332
Domestic and overseas unlisted shares	-	-	77,611	77,611
Investment in debt instruments				
Overseas straight corporate bonds	-	922,859	-	922,859
	<u>\$ 12,172,332</u>	<u>\$ 922,859</u>	<u>\$ 77,611</u>	<u>\$ 13,172,802</u>

Financial liabilities at FVTPL

Derivative financial liabilities				
Foreign exchange forward contracts	\$ -	\$ 62,084	\$ -	\$ 62,084 (Concluded)

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivate financial assets				
Foreign exchange forward contracts	\$ -	\$ 291,853	\$ -	\$ 291,853
Non-derivative financial assets				
Mutual funds	585,179	-	-	585,179
Perpetual bonds	-	1,006,183	-	1,006,183
Hybrid financial assets				
Convertible preferred shares	-	-	58,188	58,188
Convertible bonds	-	-	231,727	231,727
Structured deposits	-	1,415,089	-	1,415,089
	<u>\$ 585,179</u>	<u>\$ 2,713,125</u>	<u>\$ 289,915</u>	<u>\$ 3,588,219</u> (Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and overseas listed shares and emerging market shares	\$ 6,323,319	\$ -	\$ -	\$ 6,323,319
Domestic and overseas unlisted shares	-	-	102,829	102,829
Investment in debt instruments				
Overseas straight corporate bonds	-	503,499	-	503,499
	<u>\$ 6,323,319</u>	<u>\$ 503,499</u>	<u>\$ 102,829</u>	<u>\$ 6,929,647</u> (Concluded)

June 30, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets				
Mutual funds	\$ 2,488,439	\$ -	\$ -	\$ 2,488,439
Perpetual bonds	-	840,151	-	840,151
Hybrid financial assets				
Convertible preferred shares	-	-	16,781	16,781
	<u>\$ 2,488,439</u>	<u>\$ 840,151</u>	<u>\$ 16,781</u>	<u>\$ 3,345,371</u>

Financial assets at FVTOCI

Investments in equity instruments				
Domestic and overseas listed shares	\$ 5,089,319	\$ -	\$ -	\$ 5,089,319
Domestic and overseas unlisted shares	-	-	74,181	74,181
	<u>\$ 5,089,319</u>	<u>\$ -</u>	<u>\$ 74,181</u>	<u>\$ 5,163,500</u>

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2021 and 2020, respectively.

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

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 392,744	\$ 894,875
Recognized in profit or loss	35,527	(43,504)
Recognized in other comprehensive income (loss)		
Unrealized loss on equity instruments	(24,433)	(94,684)
Exchange differences on translating the financial statements of foreign operations	<u>(785)</u>	<u>(1,102)</u>
	<u>(25,218)</u>	<u>(95,786)</u>
Transfers out (Note)	<u>-</u>	<u>(664,623)</u>
Balance at June 30	<u>\$ 403,053</u>	<u>\$ 90,962</u>

Note: The transfer restrictions on the overseas listed private shares held by the Group had been lifted since the end of June 2020; therefore, the shares were transferred out of Level 3 to Level 1 fair value measurement.

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

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

Derivatives - structured deposits were evaluated by the discounted cash flow method. Future cash flows are estimated based on the observable interest rate at the end of the reporting period, discounted at the market interest rate.

Non-derivatives - the fair value of perpetual bonds and straight corporate bonds was determined by quoted market prices provided by the third party.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

a) Domestic and overseas unlisted shares were evaluated by the market approach, referring to the market share prices and situations of companies with similar conditions. Unobservable input used by the Group was discount for lack of marketability, which was 20%, 20% and 20%-30% as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively. If the discount for lack of marketability increased by 1% while all other variables were held constant, the fair value would have decreased \$490 thousand, \$822 thousand and \$753 thousand, respectively.

b) The fair value of convertible preferred shares was determined using the Binomial Option Pricing Model and Black-Scholes Model. The significant unobservable input used is share price volatility. The share price volatility used was 64.67% and 60.07% as of June 30, 2021 and December 31, 2020, respectively.

c) The fair value of convertible bonds was determined using the Binomial Option Pricing Model and Black-Scholes Model. The significant unobservable input used is share price volatility. The share price volatility used was 51.21% and 47.47% as of June 30, 2021 and December 31, 2020, respectively.

b. Categories of financial instruments

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets</u>			
FVTPL	\$ 3,036,027	\$ 3,588,219	\$ 3,345,371
Amortized cost (Note 1)	15,765,740	18,128,323	17,178,899
<u>FVTOCI</u>			
Equity instruments	12,249,943	6,426,148	5,163,500
Debt instruments	922,859	503,499	-
<u>Financial liabilities</u>			
FVTPL	62,084	-	-
Amortized cost (Note 2)	13,684,649	9,239,662	10,880,417

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable and other receivables.

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

c. Financial risk management objectives and policies

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

1) Market risk

The Group's activities exposed it primarily to foreign currency risk, interest rate risk and other price risk.

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign-currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting periods are set out in Note 34.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (NTD), Renminbi (RMB) and South Korean Won (KRW) against USD. The sensitivity analysis included only outstanding foreign-currency-denominated monetary items and adjusts their translation at the end of the reporting periods for a 1% change in foreign currency rates. For a 1% strengthening of NTD, RMB and KRW against USD, pre-tax income would increase (decrease) as follows:

	NTD to USD		RMB to USD		KRW to USD	
	For the Six Months Ended June 30		For the Six Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020	2021	2020
Profit or loss	\$ <u>50,576</u>	\$ <u>(17,529)</u>	\$ <u>3,077</u>	\$ <u>(6,194)</u>	\$ <u>(32,889)</u>	\$ <u>(41,540)</u>

b) Interest rate risk

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

	June 30, 2021	December 31, 2020	June 30, 2020
Fair value interest rate risk			
Financial assets	\$ <u>4,544,063</u>	\$ <u>5,419,465</u>	\$ <u>10,870,241</u>
Financial liabilities	\$ <u>7,072,815</u>	\$ <u>6,262,857</u>	\$ <u>6,287,326</u>
Lease liabilities	\$ <u>1,654,111</u>	\$ <u>1,679,650</u>	\$ <u>1,744,027</u>
Cash flow interest rate risk			
Financial assets	\$ <u>9,112,958</u>	\$ <u>11,177,373</u>	\$ <u>3,535,339</u>

Sensitivity analysis

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

If interest rates had been 50 basis points higher, the Group's pre-tax cash inflows for the six months ended June 30, 2021 and 2020, would increase \$22,782 thousand and \$8,838 thousand, respectively, which was attributable to the Group's floating rate on its financial assets, and if interest rates had been 50 basis points lower, there would be an equal and opposite impact on pre-tax cash flows.

c) Other price risk

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

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to price risks of mutual funds, equity securities and debt instruments at the end of the reporting periods.

If prices of mutual funds, equity securities and debt instruments had been 5% higher/lower, the income before income tax for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$151,506 thousand and \$167,269 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income or loss before income tax for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$658,640 thousand and \$258,175 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

Changes in the Group's sensitivity to price risk are mainly resulting from the increased investment in equity securities and debt investments.

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group's unutilized short-term bank borrowing facilities were \$12,542,540 thousand, \$13,052,337 thousand and \$4,719,151 thousand, respectively.

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

June 30, 2021

Non-derivative financial liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Lease liabilities	\$ 8,665	\$ 17,228	\$ 77,529	\$ 353,168	\$ 1,578,904
Fixed interest rate liabilities	<u>4,603,884</u>	<u>2,045,014</u>	<u>372,903</u>	<u>64,436</u>	<u>-</u>
	<u>\$ 4,612,549</u>	<u>\$ 2,062,242</u>	<u>\$ 450,432</u>	<u>\$ 417,604</u>	<u>\$ 1,578,904</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 103,422</u>	<u>\$ 353,168</u>	<u>\$ 366,687</u>	<u>\$ 364,183</u>	<u>\$ 364,183</u>	<u>\$ 483,851</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 9,195	\$ 18,129	\$ 72,881	\$ 352,683	\$ 1,672,414
Fixed interest rate liabilities	<u>3,008,632</u>	<u>2,902,623</u>	<u>353</u>	<u>64,671</u>	<u>-</u>
	<u>\$ 3,017,827</u>	<u>\$ 2,920,752</u>	<u>\$ 73,234</u>	<u>\$ 417,354</u>	<u>\$ 1,672,414</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 100,205</u>	<u>\$ 352,683</u>	<u>\$ 385,388</u>	<u>\$ 377,709</u>	<u>\$ 377,709</u>	<u>\$ 531,608</u>

June 30, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 9,461	\$ 18,507	\$ 80,126	\$ 356,150	\$ 1,746,462
Fixed interest rate liabilities	<u>3,850,458</u>	<u>2,046,405</u>	<u>403,280</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,859,919</u>	<u>\$ 2,064,912</u>	<u>\$ 483,406</u>	<u>\$ 356,150</u>	<u>\$ 1,746,462</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 108,094</u>	<u>\$ 356,150</u>	<u>\$ 399,418</u>	<u>\$ 386,104</u>	<u>\$ 386,104</u>	<u>\$ 574,836</u>

30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
NTX Electronics Yangzhou Co., Ltd.	Associate
Yuen Foong Yu Biotech Co., Ltd.	Associate
Plastic Logic HK Limited	Associate
PL Germany GmbH	Associate
Nuclera Nucleics Ltd.	Associate
Nuclera Nucleics Corporation	Associate
YFY Inc.	Investor with significant influence over the Group
YFY Japan Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Paper Enterprise (Nanjing) Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Paper Mfg. Co., Ltd. (Taoyuan)	Subsidiary of investor with significant influence over the Group
Arizon RFID Technology Co., Ltd.	Subsidiary of investor with significant influence over the Group
Chung Hwa Pulp Corporation	Subsidiary of investor with significant influence over the Group
YFY Packaging Inc.	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary of investor with significant influence over the Group
Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Corporate Advisory & Services Co., Ltd.	Subsidiary of investor with significant influence over the Group
Livebricks Inc.	Subsidiary of investor with significant influence over the Group
Yuen Foong Shop Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Development Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Jupiter US, Inc.	Subsidiary of investor with significant influence over the Group
Jupiter Prestige Group North America Inc.	Subsidiary of investor with significant influence over the Group
Sustainable Carbohydrate Innovation Co., Ltd.	Subsidiary of investor with significant influence over the Group
Arizon RFID Technology (Hong Kong) Co., Ltd.	Subsidiary of investor with significant influence over the Group
YFY Investment Co., Ltd	Subsidiary of investor with significant influence over the Group

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Fidelis IT Solutions Co., Ltd.	Subsidiary of investor with significant influence over the Group
Johnson Lee	Key management personnel
YFY Green Food (Shanghai) Co., Ltd.	Substantive related party
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
SinoPac Securities Corp.	Substantive related party
Hsin Yi Enterprise Co., Ltd.	Substantive related party
TGKW Management Limited	Substantive related party
Hsin Fan Precision Electronics (Yangzhou) Co., Ltd.	Substantive related party

(Concluded)

b. Sales of goods

<u>Related Party Category</u>	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2021	2020	2021	2020
Associate	\$ <u>261</u>	\$ <u>8,276</u>	\$ <u>9,998</u>	\$ <u>13,013</u>

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

c. Purchases of goods

<u>Related Party Category</u>	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2021	2020	2021	2020
Associate	\$ 147,590	\$ 187,296	\$ 331,342	\$ 315,370
Subsidiary of investor with significant influence over the Group	2,808	2,340	5,992	3,806
Substantive related party	<u>3</u>	<u>5</u>	<u>11</u>	<u>9</u>
	<u>\$ 150,401</u>	<u>\$ 189,641</u>	<u>\$ 337,345</u>	<u>\$ 319,185</u>

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

d. Manufacturing costs

<u>Related Party Category</u>	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2021	2020	2021	2020
Substantive related party	\$ 14,119	\$ 13,326	\$ 27,324	\$ 22,194
Others	<u>59</u>	<u>13</u>	<u>174</u>	<u>153</u>
	<u>\$ 14,178</u>	<u>\$ 13,339</u>	<u>\$ 27,498</u>	<u>\$ 22,347</u>

e. Operating expenses

Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Associate	\$ 15,724	\$ 4,114	\$ 18,129	\$ 4,155
Substantive related party	8,762	6,410	17,174	11,513
Subsidiary of investor with significant influence over the Group	<u>1,039</u>	<u>1,608</u>	<u>2,154</u>	<u>3,134</u>
	<u>\$ 25,525</u>	<u>\$ 12,132</u>	<u>\$ 37,457</u>	<u>\$ 18,802</u>

f. Non-operating income - other income

Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Associate	\$ 2,155	\$ 1,622	\$ 3,726	\$ 3,359
Others	<u>45</u>	<u>192</u>	<u>141</u>	<u>781</u>
	<u>\$ 2,200</u>	<u>\$ 1,814</u>	<u>\$ 3,867</u>	<u>\$ 4,140</u>

g. Receivables from related parties (included in notes and accounts receivable)

Related Party Category	June 30, 2021	December 31, 2020	June 30, 2020
Associate	\$ 108,098	\$ 19,268	\$ 72,987
Less: Loss allowance	<u>(17,288)</u>	<u>(17,673)</u>	<u>-</u>
	90,810	1,595	72,987
Subsidiary of investor with significant influence over the Group	<u>7,210</u>	<u>7,454</u>	<u>7,695</u>
	<u>\$ 98,020</u>	<u>\$ 9,049</u>	<u>\$ 80,682</u>

The outstanding accounts receivables to related parties were unsecured.

h. Payables to related parties (included in notes and accounts payable)

Related Party Category	June 30, 2021	December 31, 2020	June 30, 2020
Substantive related party	\$ 8,074	\$ 7,734	\$ 5,138
Subsidiary of investor with significant influence over the Group	5,128	10,891	4,039
Associate	<u>1,571</u>	<u>16,722</u>	<u>4,586</u>
	<u>\$ 14,773</u>	<u>\$ 35,347</u>	<u>\$ 13,763</u>

The outstanding accounts payables to related parties were unsecured.

i. Prepayments and refundable deposits (included in other non-current assets)

Related Party Category/Name	June 30, 2021	December 31, 2020	June 30, 2020
Substantive related party			
Yuen Foong Yu Biotech (Kunshan) Co., Ltd.	\$ 48,647	\$ 49,235	\$ 47,209
Others	10	-	-
Associate	9,769	-	-
Subsidiary of investor with significant influence over the Group	<u>262</u>	<u>-</u>	<u>6</u>
	<u>\$ 58,688</u>	<u>\$ 49,235</u>	<u>\$ 47,215</u>

j. Construction in progress and prepayments for equipment (included in property, plant and equipment)

Related Party Category	June 30, 2021	December 31, 2020	June 30, 2020
Associate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,351</u>

k. Disposal of property, plant and equipment

Related Party Category	Proceeds		Gain (Loss) on Disposal	
	For the Three Months Ended June 30		For the Three Months Ended June 30	
	2021	2020	2021	2020
Associate	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ -</u>

Related Party Category	Proceeds		Gain (Loss) on Disposal	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Associate	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ -</u>

l. Lease arrangements

The Group leased offices from a subsidiary of investor with significant influence over the Group, with the original lease term of 4 years, and renewed the contract after the expiration in February 2021. The lease term is 2 years. The related amounts were as follows:

Related Party Category/Name	For the Six Months Ended June 30	
	2021	2020
<u>Acquisition of right-of-use assets</u>		
Subsidiary of investor with significant influence over the Group	<u>\$ 5,844</u>	<u>\$ -</u>

Line Item	June 30, 2021	December 31, 2020	June 30, 2020
Lease liabilities			
Current (included in other current liabilities)	\$ 2,839	\$ 235	\$ 2,943
Non-current	<u>1,902</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,741</u>	<u>\$ 235</u>	<u>\$ 2,943</u>

Line Item	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Interest expenses	<u>\$ 8</u>	<u>\$ 9</u>	<u>\$ 12</u>	<u>\$ 20</u>

The lease contract between the Group and the related party was determined by reference to the market conditions and payment terms that were similar to those with the third parties.

m. Guarantee deposits received (included in other non-current liabilities)

Related Party Category	June 30, 2021	December 31, 2020	June 30, 2020
Key management personnel	\$ 1,050	\$ 1,050	\$ 1,050
Others	<u>65</u>	<u>66</u>	<u>63</u>
	<u>\$ 1,115</u>	<u>\$ 1,116</u>	<u>\$ 1,113</u>

n. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 26,078	\$ 26,502	\$ 52,508	\$ 50,275
Post-employment benefits	320	293	640	596
Share-based payments	<u>5,456</u>	<u>-</u>	<u>5,456</u>	<u>-</u>
	<u>\$ 31,854</u>	<u>\$ 26,795</u>	<u>\$ 58,604</u>	<u>\$ 50,871</u>

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

31. ASSETS PLEDGED AS COLLATERAL

The following demand deposits and time deposits (included in financial assets at amortized cost) were provided as collateral for short-term borrowings, line of credit for derivative instrument trading, tariffs guarantee for imported inventories, lease deposits for plants and land, and deposits for provisional attachment:

	June 30, 2021	December 31, 2020	June 30, 2020
Current	\$ 1,887,896	\$ 1,913,300	\$ 2,164,642
Non-current	<u>139,565</u>	<u>148,928</u>	<u>140,261</u>
	<u>\$ 2,027,461</u>	<u>\$ 2,062,228</u>	<u>\$ 2,304,903</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unused letters of credit of the Group for purchase of machinery amounted to \$227,092 thousand, \$208,330 thousand and \$90,783 thousand as of June 30, 2021 December 31, 2020 and June 30, 2020, respectively.

Guaranteed notes issued for long-term and short-term borrowings and lines of credit for derivative instrument trading were \$8,980,000 thousand, \$9,040,000 thousand and \$7,450,000 thousand as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

Guaranteed notes issued for syndicated loans were \$6,800,000 thousand as of June 30, 2021 and December 31, 2020, respectively.

Letters of bank guarantees issued for tariff guarantee for imported inventories were \$309,714 thousand as of June 30, 2020.

The board of directors of the subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., approved in March 2020 for an investment plan for the next three to five years. The content of the investment plan includes the construction of R&D buildings, capacity expansion and fundamental operating expenses, with expected investment amount from US\$50,000 thousand to US\$55,000 thousand. The source of funds is from the parent company's capital increase via cash and the subsidiary's proprietary funds.

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

In response to the business development plan of Yangzhou City, the board of directors of the subsidiary, Transcend Optronics (Yangzhou) Co., Ltd., approved a high-end display service agreement with Yangzhou Economic-Technological Development Area Management Committee in June 2021. It planned to invest in the construction of factories on 420 acres of land in the area it owns to develop electronic paper-related businesses. It planned to increase capital in installments before June 2023, and the total amount will not exceed US\$61,000 thousand.

33. OTHER ITEMS

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

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

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 274,558	27.86 (USD:NTD)	\$ 7,649,186
USD	233,309	6.46 (USD:RMB)	6,499,989
USD	118,050	1,117.978 (USD:KRW)	3,288,873
Non-monetary items			
FVTPL			
USD	69,585	1,117.978 (USD:KRW)	1,938,656
FVTOCI			
EUR	40,126	33.15 (EUR:NTD)	1,330,198
<u>Foreign currency liabilities</u>			
Monetary items			
USD	456,094	27.86 (USD:NTD)	12,706,779
USD	244,355	6.46 (USD:RMB)	6,807,730

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 217,744	28.48 (USD:NTD)	\$ 6,201,349
USD	195,030	6.525 (USD:RMB)	5,554,454
USD	174,461	1,077.156 (USD:KRW)	4,968,649
(Continued)			

	Foreign Currency	Exchange Rate	Carrying Amount
Non-monetary items			
FVTPL			
USD	\$ 35,329	1,077.156 (USD:KRW)	\$ 1,006,183
FVTOCI			
EUR	32,110	35.020 (EUR:NTD)	1,124,491
<u>Foreign currency liabilities</u>			
Monetary items			
USD	256,381	28.48 (USD:NTD)	7,301,731
USD	176,956	6.525 (USD:RMB)	5,039,707 (Concluded)

June 30, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 201,736	29.63 (USD:NTD)	\$ 5,977,438
USD	158,433	7.08 (USD:RMB)	4,694,370
USD	140,553	1,191.395 (USD:KRW)	4,164,585
Non-monetary items			
FVTPL			
USD	83,983	1,191.395 (USD:KRW)	2,488,439
<u>Foreign currency liabilities</u>			
Monetary items			
USD	142,576	29.63 (USD:NTD)	4,224,527
USD	137,527	7.08 (USD:RMB)	4,074,925

The Group's net realized and unrealized gain (loss) on foreign currency exchange were \$21,600 thousand, \$(140,568) thousand, \$126,161 thousand and \$217,454 thousand, for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, respectively. It is impractical to disclose net gain or loss on foreign currency exchange by each significant foreign currency due to the variety of the foreign currency transactions and the functional currency of each entity in the Group.

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)

- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
 - 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 9) Trading in derivative instruments (Note 7)
 - 10) Intercompany relationships and significant intercompany transactions (Table 9)
- b. Information on investees (Table 7)
- c. Information on investments in mainland China (Table 8)
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area.
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, ending balance, interest rate interval, and total interest for the current period with respect to financing of funds.
 - f) Other transactions that have a material effect on profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the breakdown by region. The Group's reportable segments were classified into the ROC, Asia and Americas according to their geographic locations.

The profit or loss from the Group's operating segments is primarily measured by the segment profit or loss, which is used for the basis for assessment of performance. In addition, there are no significant differences between the accounting standards applied by the segments and the summary of significant accounting policies as disclosed in Note 4.

The following was an analysis of the Group's revenue and results from operation by reportable segments:

	Segment Revenue		Segment Profit (Loss)	
	For the Six Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
ROC	\$ 9,707,837	\$ 7,432,668	\$ 1,582,249	\$ 1,005,885
Asia	5,297,181	4,394,602	(130,616)	95,937
America	2,661,759	1,740,917	30,546	(501,648)
Adjustment and eliminations	<u>(9,180,596)</u>	<u>(6,915,237)</u>	-	-
	<u>\$ 8,486,181</u>	<u>\$ 6,652,950</u>	1,482,179	600,174
Administration cost and remunerations to directors			(196,212)	(177,473)
Interest income			92,053	146,479
Royalty income			909,202	948,457
Dividend income			51,153	247,467
Net gain (loss) on disposal of investment			653,705	(567)
Net gain on foreign currency exchange			126,161	217,454
Other non-operating income and expenses, net			21,410	16,978
Income before tax			<u>\$ 3,139,651</u>	<u>\$ 1,998,969</u>

Segment profit (loss) represents the income before income tax earned by each segment without allocation of administration costs and remuneration of directors, interest income, royalty income, dividend income, net gain (loss) on disposal of investment, net gain on foreign currency exchange, other non-operating income and expenses, and income tax expense, etc.

E INK HOLDINGS INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance (Note 1)	Ending Balance (Note 1)	Amount Actually Drawn (Note 1)	Interest Rate Intervals (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Aggregate Financing Limit (Note 2)
													Item	Value		
1	Hydis Technologies Co., Ltd.	YuanHan Materials Inc.	Other receivables	Yes	\$ 2,089,500 (US\$ 75,000 thousand)	\$ 2,089,500 (US\$ 75,000 thousand)	\$ 2,089,500 (US\$ 75,000 thousand)	1.23	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 4,068,702 (KRW 163,270,557 thousand)	\$ 4,068,702 (KRW 163,270,557 thousand)
2	YuanHan Materials Inc.	New Field e-Paper Co., Ltd.	Other receivables	Yes	380,000	340,000	340,000	1.20	Short-term financing	-	Working capital	-	-	-	677,829	2,711,315
3	PVI Global Corp.	New Field e-Paper Co., Ltd.	Other receivables	Yes	428,025 (US\$ 15,000 thousand)	417,900 (US\$ 15,000 thousand)	417,900 (US\$ 15,000 thousand)	1.00	Short-term financing	-	Working capital	-	-	-	1,532,384 (US\$ 55,003 thousand)	6,129,562 (US\$ 220,013 thousand)

Note 1: The amounts are translated at the exchange rate of US\$1=NT\$27.86 and KRW1=NT\$0.02492 on June 30, 2021, except the maximum balance that is translated at the exchange rate at the end of each month for the period.

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

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

E INK HOLDINGS INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsed/Guaranteed Party		Limit on Endorsement/ Guarantee Amount Provided to Each Endorsed/ Guaranteed Party (Note 1)	Maximum Balance (Note 2)	Ending Balance (Note 2)	Amount Actually Drawn (Note 2)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by Subsidiary	Endorsement/ Guarantee to Subsidiary in Mainland China
		Name	Relationship										
0	E Ink Holdings Inc.	E Ink Corporation	Subsidiary	\$ 7,888,461	\$ 1,198,470 (US\$ 42,000 thousand)	\$ 1,170,120 (US\$ 42,000 thousand)	\$ -	\$ -	3.71	\$ 31,553,844	Yes	No	No
		YuanHan Materials Inc.	Subsidiary	7,888,461	1,950,000	1,950,000	200,000	-	6.18	31,553,844	Yes	No	No
		Linfiny Corporation	Subsidiary	7,888,461	350,000	350,000	151,000	-	1.11	31,553,844	Yes	No	No
1	Hydis Technologies Co., Ltd.	E Ink Holdings Inc.	Parent company	2,542,939 (KRW 102,044,098 thousand)	428,025 (US\$ 15,000 thousand)	417,900 (US\$ 15,000 thousand)	370,000	-	4.11	10,171,756 (KRW 408,176,392 thousand)	No	Yes	No

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

Note 2: The amounts are translated at the exchange rate of US\$1=\$27.86 and KRW1=\$0.02492 on June 30, 2021, except the maximum balance is translated at the highest exchange rate of the end of each month for the period year.

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

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2021

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
E Ink Holdings Inc.	<u>Ordinary shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	119,522,461	\$ 1,643,434	1.06	\$ 1,643,434	
	YFY Inc.	Investor with significant influence over the Company	Financial assets at FVTOCI	7,814,000	357,100	0.47	357,100	
	Ultra Chip, Inc.	-	Financial assets at FVTOCI	2,703,676	379,866	4.13	379,866	
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the Company	Financial assets at FVTOCI	336,002	25,503	0.14	25,503	
	Mega Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	8,190,000	269,041	0.06	269,041	
	Yuanta Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	12,175,000	326,899	0.10	326,899	
	Wistron Corporation	-	Financial assets at FVTOCI	9,296,000	288,176	0.32	288,176	
	Getac Technology Corporation	-	Financial assets at FVTOCI	2,674,000	147,070	0.45	147,070	
	Taiwan Cement Corporation	-	Financial assets at FVTOCI	5,768,000	294,168	0.09	294,168	
	IGNIS INNOVATION INC.	-	Financial assets at FVTPL - non-current	387,597	-	0.18	-	
	New Medical Imaging Co., Ltd.	-	Financial assets at FVTPL - non-current	109,342	-	2.37	-	
	<u>Preferred shares</u>							
	Fubon Financial Holding Co., Ltd.(A)	-	Financial assets at FVTOCI	4,675,000	294,058	0.04	294,058	
	Cathay Financial Holding Co., Ltd.(A)	-	Financial assets at FVTOCI	2,354,000	147,596	0.02	147,596	
	Taishin Financial Holding Co., Ltd.(E)	-	Financial assets at FVTOCI	2,136,000	114,062	0.02	114,062	
	<u>Convertible preferred shares</u>							
MICAREO INC.	-	Financial assets at FVTPL - non-current	6,000,000	-	14.69	-		
New Field e-Paper Co., Ltd.	<u>Ordinary shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	22,028,000	302,885	0.20	302,885	
	Jetbest Corporation	-	Financial assets at FVTOCI	278,000	6,950	0.85	6,950	
	Ventec International Group Co., Ltd.	-	Financial assets at FVTOCI	1,242,000	178,227	1.74	178,227	
	Wistron Corporation	-	Financial assets at FVTOCI	8,307,000	257,517	0.29	257,517	
Taiwan Cement Corporation	-	Financial assets at FVTOCI	1,650,000	84,150	0.03	84,150		
YuanHan Materials Inc.	<u>Ordinary shares</u>							
	SinoPac Financial Holding Company Limited	Substantive related party	Financial assets at FVTOCI	214,864,329	2,954,384	1.90	2,954,384	
	YFY Inc.	Investor with significant influence over the parent company	Financial assets at FVTOCI	16,000	731	-	731	
	Netronix Inc.	One of its director	Financial assets at FVTOCI	5,309,198	238,383	6.40	238,383	
	Fitipower Integrated Technology Inc.	-	Financial assets at FVTOCI	2,688,626	826,752	1.61	826,752	
	SES-imagotag	-	Financial assets at FVTOCI	866,666	1,330,198	5.50	1,330,198	
	Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary of investor with significant influence over the parent company	Financial assets at FVTOCI	688	52	-	52	
	Mega Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	4,650,000	152,752	0.03	152,752	
	Yuanta Financial Holding Co., Ltd.	-	Financial assets at FVTOCI	8,893,000	238,777	0.07	238,777	
	Wistron Corporation	-	Financial assets at FVTOCI	9,270,000	287,370	0.32	287,370	
	Daxin Materials Corp.	-	Financial assets at FVTOCI	869,000	75,951	0.85	75,951	
	Getac Technology Corporation	-	Financial assets at FVTOCI	4,453,000	244,915	0.75	244,915	
	Zenitron Corporation	-	Financial assets at FVTOCI	4,249,000	125,983	1.99	125,983	
	Taiwan Cement Corporation	-	Financial assets at FVTOCI	3,137,000	159,987	0.05	159,987	
	Ushine Photonics Corporation	-	Financial assets at FVTOCI	3,297,179	47,150	14.09	47,150	
	Formolight Technologies, Inc.	-	Financial assets at FVTOCI	2,227,500	15,922	10.93	15,922	
Echem Solutions Corp.	-	Financial assets at FVTOCI	742,820	14,186	0.99	14,186		
eCrowd Media Inc.	-	Financial assets at FVTOCI	1,309,701	8,301	6.46	8,301		

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Transcend Optronics (Yangzhou) Co., Ltd.	<u>Preferred shares</u> Fubon Financial Holding Co., Ltd.(A)	-	Financial assets at FVTOCI	4,684,000	\$ 294,624	0.04	\$ 294,624	
	<u>Convertible preferred shares</u> SigmaSense, LLC	-	Financial assets at FVTPL - non-current	72,916	68,419	2.05	68,419	
	<u>Convertible bonds</u> Nuclera Nucleics Ltd.	-	Financial assets at FVTPL - non-current	-	257,023	-	257,023	
	<u>Straight corporate bonds</u> FS KKR CAPITAL CORP	-	Financial assets at FVTOCI	2,000,000	60,816	-	60,816	
	NOMURA HOLDINGS INC.	-	Financial assets at FVTOCI	1,950,000	57,277	-	57,277	
	<u>Ordinary shares</u> Dalian DKE LCD Co., Ltd.	-	Financial assets at FVTOCI	837,000	RMB 9,090 thousand	3.11	RMB 9,090 thousand	
	<u>Structured deposits</u> Bank of Jiangsu - principal guaranteed with floating profit structured deposits	-	Financial assets at FVTPL - current	-	RMB 50,259 thousand	-	RMB 50,259 thousand	
Hydis Technologies Co., Ltd.	Bank of Nanjing - principal guaranteed with floating profit structured deposits	-	Financial assets at FVTPL - current	-	RMB 61,013 thousand	-	RMB 61,013 thousand	
	<u>Ordinary shares</u> Solum Co., Ltd.	-	Financial assets at FVTOCI	111,206	KRW 3,130,449 thousand	0.23	KRW 3,130,449 thousand	
	<u>Mutual funds</u> Term Liquidity Fund	-	Financial assets at FVTPL - non-current	95,558	KRW 11,539,900 thousand	-	KRW 11,539,900 thousand	
	<u>Perpetual bonds</u> JP Morgan Chase & Co.	-	Financial assets at FVTPL - non-current	48,500,000	KRW 56,102,986 thousand	-	KRW 56,102,986 thousand	
	Bank of America Corporation	-	Financial assets at FVTPL - non-current	18,900,000	KRW 22,083,138 thousand	-	KRW 22,083,138 thousand	
	<u>Straight corporate bonds</u> NOMURA HOLDINGS, INC.	-	Financial assets at FVTOCI	9,100,000	KRW 10,789,952 thousand	-	KRW 10,789,952 thousand	
	Standard Chartered PLC	-	Financial assets at FVTOCI	8,800,000	KRW 10,895,411 thousand	-	KRW 10,895,411 thousand	
BARCLAYS	-	Financial assets at FVTOCI	8,490,000	KRW 10,770,924 thousand	-	KRW 10,770,924 thousand		

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

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments	Ending Balance	
					Units (In Thousands)	Amount	Units (In Thousands)	Amount	Units (In Thousands)	Prices	Carrying Amount	Gain on Disposal (Note 1)		Units (In Thousands)	Amount
Hydis Technologies Co., Ltd.	Perpetual bonds Bank of America Corporation	Financial assets at FVTPL - non-current	-	-	5,000,000	KRW 5,572,736 thousand	13,900,000	KRW 15,881,823 thousand	-	\$ -	\$ -	\$ -	KRW 92,845 thousand (Note 2)	18,900,000	KRW 21,547,404 thousand
	J.P. Morgan Chase & Co.	Financial assets at FVTPL - non-current	-	-	29,800,000	KRW 32,415,916 thousand	18,700,000	KRW 21,893,025 thousand	-	-	-	-	KRW 1,794,045 thousand (Note 2)	48,500,000	KRW 56,102,986 thousand
Transcend Optronics (Yangzhou) Co., Ltd.	Principal guaranteed wealth investment products														
	Principal guaranteed with floating profit structured deposits	Financial assets at amortized cost - current	Bank of Nanjing	-	-	RMB 90,000 thousand	-	-	-	RMB 91,387 thousand	RMB 90,000 thousand	RMB 1,387 thousand	-	-	-
	Principal guaranteed with floating profit structured deposits	Financial assets at FVTPL - current	Bank of Nanjing	-	-	RMB 241,658 thousand	-	RMB 120,000 thousand	-	RMB 302,529 thousand	RMB 302,529 thousand	-	RMB 1,884 thousand (Note 2)	-	RMB 61,013 thousand
	Principal guaranteed with floating profit structured deposits	Financial assets at FVTPL - current	Bank of Jiansu	-	-	-	-	RMB 160,000 thousand	-	RMB 110,667 thousand	RMB 110,667 thousand	-	RMB 926 thousand (Note 2)	-	RMB 50,259 thousand
E Ink Corporation	Ordinary shares Nuclera Nucleics Ltd. (Note 3)	Investment accounted for using the equity method	Nuclera Nucleics Ltd.	-	-	-	1,107,094	US\$ 25,691 thousand (Note 4)	-	-	-	-	-	1,107,094	US\$ 25,691 thousand

Note 1: Included in interest income.

Note 2: Included in net gain (loss) on financial assets and liabilities at FVTPL.

Note 3: Refer to Note 14 for the subsidiary E Ink Corporation's use of its microfluidic technology (including related equipment and inventory, etc. in the amount of approximately US\$1,909 thousand) to exchange for Nuclera Nucleics Ltd.'s 26.5% equity share.

Note 4: Included related acquisition cost.

E INK HOLDINGS INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	Sale	\$ (1,193,900)	(16)	By agreements	\$ -	-	\$ 265,582	6	
	E Ink Corporation	Subsidiary	Purchase	2,405,223	40	By agreements	-	-	(909,584)	(18)	
	YuanHan Materials Inc.	Subsidiary	Sale	(866,976)	(11)	By agreements	-	-	255,780	6	
	YuanHan Materials Inc.	Subsidiary	Purchase	268,995	5	By agreements	-	-	(48,340)	(1)	
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Purchase	571,765	10	By agreements	-	-	(3,995,971)	(79)	
	NTX Electronics Yangzhou Co., Ltd.	Associate	Purchase	330,296	6	By agreements	-	-	-	-	
YuanHan Materials Inc.	E Ink Holdings Inc.	Parent company	Sale	(268,995)	(14)	By agreements	-	-	48,340	100	
	E Ink Holdings Inc.	Parent company	Purchase	866,976	76	By agreements	-	-	(255,780)	(100)	
Prime View Communications Ltd.	E Ink Holdings Inc.	Parent company	Purchase	1,193,900	100	By agreements	-	-	(265,582)	(100)	
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	Sale	(571,765)	(100)	By agreements	-	-	3,995,971	100	
E Ink Corporation	E Ink Holdings Inc.	Parent company	Sale	(2,405,223)	(100)	By agreements	-	-	909,584	96	
	E Ink California, LLC	Subsidiary	Purchase	254,660	17	By agreements	-	-	(510,658)	(98)	
E Ink California, LLC	E Ink Corporation	Parent company	Sale	(254,660)	(100)	By agreements	-	-	510,658	100	

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

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

E INK HOLDINGS INC. AND SUBSIDIARIES

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

JUNE 30, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
E Ink Holdings Inc.	Prime View Communications Ltd.	Subsidiary	\$ 265,582	4.21	\$ -	-	\$ 115,624	\$ -
	YuanHan Materials Inc.	Subsidiary	255,780	10.09	-	-	156,028	-
	YuanHan Materials Inc.	Subsidiary	786,152	(Note 2)	-	-	786,152	-
	Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	3,930,305	(Note 1)	1,160,665	In the process of collection	807,942	-
Transcend Optronics (Yangzhou) Co., Ltd.	E Ink Holdings Inc.	Parent company	3,995,971	(Note 1)	1,604,307	In the process of collection	782,586	-
E Ink Corporation	E Ink Holdings Inc.	Parent company	909,584	5.99	188,604	Collected	342,838	-
E Ink California, LLC	E Ink Corporation	Parent company	510,658	1.06	374,062	In the process of collection	39,330	-

Note 1: Other receivables from materials delivered to subcontractors.

Note 2: Cash dividends receivables.

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

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		Balance as of June 30, 2021			Net Income (Loss) of Investee	Share of Profit (Loss) of Investee	Note	
				June 30, 2021	December 31, 2020	Shares	Percentage of Ownership (%)	Carrying Amount				
E Ink Holdings Inc.	PVI Global Corp.	British Virgin Islands	Investment	\$ 3,360,434	\$ 3,360,434	108,413,176	100.00	\$ 15,323,912	\$ 627,991	\$ 627,991	(Note)	
	New Field e-Paper Co., Ltd.	Taoyuan, Taiwan	Wholesale and sale of electronics parts	6,394,455	6,394,455	671,032,318	100.00	5,478,443	299,552	299,552	(Note)	
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	4,911,303	4,911,303	1,034	45.31	4,271,272	1,071,279	241,080	(Note)	
	YuanHan Materials Inc.	Taipei, Taiwan	Research, development and sale of electronic parts and electronic ink	6,420,230	6,420,230	183,819,268	100.00	6,763,073	832,981	827,326	(Note)	
	Dream Universe Ltd.	Mauritius	Trading	128,710	128,710	4,050,000	100.00	351,322	(27)	(27)	(Note)	
	Prime View Communications Ltd.	Hong Kong	Trading	18,988	18,988	3,570,000	100.00	(18,258)	(14,669)	(14,669)	(Note)	
	Enttek Co., Ltd.	Taichung, Taiwan	Manufacture and sale of consumer audio-visual systems	34,547	34,547	2,203,161	47.07	-	-	-	-	Under liquidation
	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	49,267	49,267	1,550,000	0.09	3,745	227,157	204	(Note)	
	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	16,800	16,800	1,680,000	4.00	1,118	6,612	264	(Note)	
	Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	6,597	6,597	223,655	2.40	1,737	(49,273)	(323)	(323)	(Note)
	E Ink Japan Inc.	Tokyo, Japan	Development of electronic ink products	15,065	15,065	200	100.00	16,392	3,050	3,050	(Note)	
New Field e-Paper Co., Ltd.	Tech Smart Logistics Ltd.	British Virgin Islands	Trading	4,865,850	4,865,850	1,748,251,748	99.91	4,157,546	227,157	226,952	(Note)	
	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	1,618,500	1,618,500	294	12.88	1,214,169	1,071,279	68,530	(Note)	
YuanHan Materials Inc.	Linfiny Corporation	Taoyuan, Taiwan	Research, development and sale of electronic ink	323,400	323,400	32,340,000	77.00	21,525	6,612	5,091	(Note)	
	Yuen Foong Yu Biotech Co., Ltd.	Taipei, Taiwan	Wholesale of seeds, oil and agricultural products	36,000	36,000	3,600,000	36.00	28,818	87,872	28,770	(Note)	
	Kyoritsu Optronics Co., Ltd.,	Taipei, Taiwan	Technology development, transfer and licensing of flat panels	18,860	18,860	1,050,000	25.65	-	-	-	(Note)	
Linfiny Corporation	Linfiny Japan Inc.	Tokyo, Japan	Research and development of electronic ink	11,088	11,088	4,000	100.00	24,295	1,412	1,412	(Note)	
E Ink Corporation	E Ink California, LLC	California, USA	Research, development and sale of electronic ink	US\$ 29,100 thousand	US\$ 29,100 thousand	27,400,000	100.00	US\$ 32,495 thousand	US\$ 1,738 thousand	US\$ 715 thousand	(Note)	
	Nuclera Nucleics Ltd.	Cambridge, UK	Protein, gene synthesis and digital microfluidics	US\$ 25,691 thousand	-	1,107,094	26.50	US\$ 25,691 thousand	-	-	(Note)	
Tech Smart Logistics Ltd.	E Ink Corporation	Boston, USA	Manufacture and sale of electronic ink	US\$ 152,875 thousand	US\$ 152,875 thousand	954	41.81	US\$ 133,579 thousand	US\$ 38,331 thousand	US\$ 8,132 thousand	(Note)	
PVI Global Corp.	PVI International Corp.	British Virgin Islands	Trading	US\$ 169,300 thousand	US\$ 160,300 thousand	169,300,000	100.00	US\$ 147,025 thousand	US\$ (790) thousand	US\$ (790) thousand	(Note)	
	Dream Pacific International Corp.	British Virgin Islands	Investment	US\$ 1,000 thousand	US\$ 1,000 thousand	26,000,000	100.00	US\$ 334,208 thousand	US\$ 22,807 thousand	US\$ 22,807 thousand	(Note)	
	Ruby Lustre Ltd.	British Virgin Islands	Investment	US\$ 30,000 thousand	US\$ 30,000 thousand	30,000,000	100.00	US\$ 28,035 thousand	US\$ 202 thousand	US\$ 202 thousand	(Note)	
	North Diamond International Co., Ltd.	British Virgin Islands	Investment	US\$ 1,750 thousand	US\$ 1,750 thousand	1,750,000	35.00	-	-	-	(Note)	
	Rock Pearl International Corp.	British Virgin Islands	Investment	US\$ 1,540 thousand	US\$ 1,540 thousand	1,540,000	35.00	-	US\$ 8 thousand	US\$ 3 thousand	(Note)	
Dream Pacific International Corp.	Hydis Technologies Co., Ltd.	South Korea	Research, development and licensing of monitors	US\$ 27,612 thousand	US\$ 27,612 thousand	3,783,265	94.73	US\$ 342,454 thousand	US\$ 23,651 thousand	US\$ 22,964 thousand	(Note)	
Hydis Technologies Co., Ltd.	Plastic Logic HK Limited	Hong Kong	Research, development and manufacture of electronic paper display panels	KRW 2,942,500 thousand	KRW 2,942,500 thousand	2,500,000	26.79	KRW 779,155 thousand	KRW (1,951,467) thousand	KRW (522,739) thousand	(Note)	

Note: All intercompany transactions have been eliminated upon consolidation.

E INK HOLDINGS INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Investee Company	Main Business and Product	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2021 (Note 1)	Net Income (Loss) of Investee (Note 2)	Direct or Indirect Percentage of Ownership (%)	Share of Profit (Loss) of Investee (Notes 2 and 3)	Carrying Amount as of June 30, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of June 30, 2021
					Outward	Inward						
Transcend Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	\$ 4,716,698 (US\$ 169,300 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	\$ 3,283,162 (US\$ 117,845 thousand)	\$ -	\$ -	\$ 3,283,162 (US\$ 117,845 thousand)	\$ (26,876) (US\$ (954) thousand)	100.00	\$ (22,200) (US\$ (788) thousand)	\$ 4,089,876 (US\$ 146,801 thousand)	\$ -
Rich Optronics (Yangzhou) Co., Ltd.	Assembly and sale of display panels	835,800 (US\$ 30,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	835,800 (US\$ 30,000 thousand)	-	-	835,800 (US\$ 30,000 thousand)	5,691 (US\$ 202 thousand)	100.00	5,691 (US\$ 202 thousand)	781,083 (US\$ 28,036 thousand)	-
Transyork Technology Yangzhou Ltd.	Assembly and sale of display panels	1,028,898 (US\$ 36,931 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	(1,324) (US\$ (47) thousand)	100.00	(1,324) (US\$ (47) thousand)	816,995 (US\$ 29,325 thousand)	-
Yangzhou Huaxia Integrated O/E System Co., Ltd. (Liquidation)	Manufacture and sale of LED products	-	The Company indirectly owns the investee through an investment company registered in a third region	38,725 (US\$ 1,390 thousand)	-	-	38,725 (US\$ 1,390 thousand)	986 (US\$ 35 thousand)	100.00	986 (US\$ 35 thousand)	-	-
Dihao Electronics (Yangzhou) Co., Ltd. (Under liquidation)	Assembly of LCD backlight board display modules	139,300 (US\$ 5,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	48,755 (US\$ 1,750 thousand)	-	-	48,755 (US\$ 1,750 thousand)	-	35.00	-	-	-
NTX Electronics Yangzhou Co., Ltd.	Manufacture and sale of flat panels	172,505 (RMB 40,000 thousand)	The Company indirectly owns the investee through an investment company registered in a third region	-	-	-	-	(5,817) (RMB (1,336) thousand)	49.00	(2,885) (RMB (655) thousand)	95,645 (RMB 22,178 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2021 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,206,442 (US\$ 150,985 thousand)	\$ 8,194,601 (US\$ 294,135 thousand)	\$ 22,999,278

(Continued)

Note 1: The amounts are translated at the exchange rate of US\$1 = NT\$27.86 and RMB1 = NT\$4.31263 on June 30, 2021.

Note 2: The amounts are translated at the average exchange rate of US\$1 = NT\$28.172 and RMB1 = NT\$4.35438 for the six months ended June 30, 2021.

Note 3: The carrying amount and related investment income or loss were calculated based on unreviewed financial statements of the corresponding period, except Transcend Optronics (Yangzhou) Co., Ltd., Rich Optronics (Yangzhou) Co., Ltd. and Transyork Technology Yangzhou Ltd.

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

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

(Concluded)

E INK HOLDINGS INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)**

No	Company Name	Related Party	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	E Ink Holdings Inc.	YuanHan Materials Inc.	Subsidiary	Sales	\$ 866,976	By agreements	10.2
		YuanHan Materials Inc.	Subsidiary	Other receivables from related parties	786,152	By agreements	1.5
		Prime View Communications Ltd.	Subsidiary	Sales	1,193,900	By agreements	14.1
		E Ink Corporation	Subsidiary	Accounts payable to related parties	909,584	By agreements	1.8
		E Ink Corporation	Subsidiary	Cost of goods sold	2,405,223	By agreements	28.3
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Accounts receivable from related parties	3,930,305	By agreements	7.7
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Accounts payable to related parties	3,995,971	By agreements	7.9
		Transcend Optronics (Yangzhou) Co., Ltd.	Subsidiary	Cost of goods sold	571,765	By agreements	6.7
		1	Hydis Technologies Co., Ltd.	YuanHan Materials Inc.	Same ultimate parent company	Other receivables from related parties	2,101,132
2	E Ink California, LLC	E Ink Corporation	Parent company	Other receivables from related parties	510,658	By agreements	1.0

Note 1: The above intercompany transactions have been eliminated upon consolidation.

Note 2: Transactions amounts of \$500 million or more are disclosed in this table.

E INK HOLDINGS INC. AND SUBSIDIARIES**INFORMATION ON MAJOR SHAREHOLDERS****JUNE 30, 2021**

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

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

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