

Stock Symbol: 3481



InnoLux Corporation

Handbook for 2019 General Shareholders' Meeting

June 20, 2019

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INNOLUX CORPORATION

Procedures of 2019 Annual General Shareholders Meeting

1. Report of Number of Shares Represented by Attendees
2. Call the Meeting to Order
3. Chairperson Remarks
4. Reporting Items
5. Adopting Items
6. Discussion and Election Items
7. Extemporaneous Motions
8. Adjournment

INNOLUX CORPORATION

Agenda of 2019 Annual General Shareholders Meeting

Time & Date : 9:00 a.m. on June 20 2019

Location : 3F, No.36 Ke Yan Rd., Zhunan Township, Miaoli County

The assembly hall of the Administrative Service Center of Zhunan Park,
Hsinchu Science Park

1. Chairperson Remarks
2. Reporting Items:
 - (1) Operating report of the year of 2018.
 - (2) Audit Committee's Review Report.
 - (3) To report in relation to the compensation distributed to the employees and directors of year 2018.
 - (4) To report the issuance of securities in private placement.
3. Adopting Items
 - (1) Adoption of the Operating Report and Financial Statements for the year of 2018.
 - (2) Adoption of the Proposal for Distribution of 2018 Profits.
4. Discussion and Election Items
 - (1) Amendment to the Articles of Incorporations of the Company.
 - (2) Amendment to the Operating Procedure Governing the Acquisition and Disposal of Assets of the Company.
 - (3) Amendment to the Operating Procedure Governing Loaning of Funds of the Company.
 - (4) Amendment to the Operating Procedure Governing Endorsement and Guarantee of the Company.
 - (5) Proposal to process domestic capital increase by cash to issue common shares, to issue new shares as a result of cash capital increase for sponsoring issuance of GDR.
 - (6) Election of all the directors of the Company.
 - (7) Dismissal of the prohibition of non-competition obligation of the new directors and its representatives.
5. Extemporaneous Motions
6. Adjournment

Reporting Items

1. Operating Report of the year of 2018. Review is respectfully requested.
Explanation: 2018 Operating Report is attached hereto as Attachment 1(page 15~16)
2. Audit Committee's Review Report. Review is respectfully requested.
Explanation: Audit Committee's Review Report is attached hereto as Attachment 2 (page 17)
3. Report in relation to the compensation distributed to the employees and directors of year 2018.
Explanation: The meeting of board of directors of the Company dated February 14, 2019 has resolved to distribute compensation at the amount of NTD 294,289,205 to employees and NTD 4,527,526 to directors in cash.
4. Report the issuance of securities in private placement.
Explanation:
 - (1) It has been approved by the Annual General Shareholders' Meeting held on 20 June, 2018 to authorize the Board of Directors, within the limit of 950,000,000 common shares, depending on the market conditions and the Company's capital needs, to choose appropriate timing and one or more fund raising instruments to process capital increase in cash to conduct private placement of ordinary shares/preferred shares or private placement of foreign or domestic convertible corporate bonds in accordance with the applicable laws and regulations.
 - (2) For private placements of securities conducted pursuant to Securities and Exchange Act, the private placement may be carried out by installments within one year of the date of the resolution of the shareholders meeting.
 - (3) In consideration of the capital market situation, the Company will not continue with the above private placement.

Adopting Items

(Proposed by the Board of Directors)

Proposal 1 : 2018 Operating Report and the Financial Statement of the Company. Adoption is respectfully requested.

Explanation : 1. 2018 financial statements of the Company had been duly audited by CPA Wu, Han-Chi and CPA Liang Hua-Ling of Pricewaterhousecoopers.
2. The Operating report and finance statements are attached hereto as Attachment 1&3 (page 15~16 and 18~40).

Resolution :

(Proposed by the Board of Directors)

Proposal 2 : Distribution of 2018 Profits. Adoption is respectfully requested.

Explanation : 1. The profit distribution table of 2018 is attached hereto as Attachment 4 (page 41).
2. Proposed cash dividend distributed to shareholders is NT\$ 597,124,319 (NT\$0.06 per share). In the event that, before the distribution record date, the cash dividend shall be calculated according to the distribution proportion under NT\$ 1, for amount less than NT\$ 1 shall be truncated. For the total add-up amount of distributed amount for less than NT\$ 1, it is proposed that the Chairman be authorized to conduct adjustment.
3. The proposed dividend distribution ratio is affected and is required to be adjusted due to capital variations affecting the number of outstanding shares, it is proposed that the Chairman be fully authorized to handle such distribution.
4. Upon the approval of the shareholders' meeting, it is proposed that the Chairman be authorized to resolve the distribution record date and other relevant matters.

Resolution :

Discussion and Election Items

(Proposed by the Board of Directors)

Proposal 1 : Amendment to the Articles of Incorporations of the Company. Review and discussion is respectfully requested.

Explanation : 1. In conformity with the amendments of laws & regulations In order to accompany in reference to the operation plan of the Company, it is proposed to amend part of the clauses of Articles of Incorporations of the Company.
2. The revised comparative table are attached hereto as Attachment 5 (Page 42-43) .

Resolution :

(Proposed by the Board of Directors)

Proposal 2 : Amendments to “Operating Procedure Governing the Acquisition and Disposal of Assets” of the Company. Approval is respectfully requested.

Explanation : 1. In conformity with the amendments of laws & regulations , it is proposed to amend “Operating Procedure Governing the Acquisition and Disposal of Assets” of the Company.
2. The comparative table of the amended provisions is attached hereto as Attachment 6 (page 44~70).

Resolution :

(Proposed by the Board of Directors)

Proposal 3 : Amendments to “Operating Procedure Governing Loaning of Funds” of the Company. Approval is respectfully requested.

Explanation : 1. In conformity with the amendments of laws & regulations , it is proposed to amend “Operating Procedure Governing Loaning of Funds” of the Company.
2. The comparative table of the amended provisions is attached hereto as Attachment 7 (page 71~73).

Resolution :

(Proposed by the Board of Directors)

Proposal 4 : Amendments to “Operating Procedure Governing Endorsement and Guarantee” of the Company. Approval is respectfully requested.

Explanation : 1. In conformity with the amendments of laws & regulations , it is proposed to amend “Operating Procedure Governing Endorsement and Guarantee” of the Company.
2. The comparative table of the amended provisions is attached hereto as Attachment 8 (page 74~76).

Resolution :

(Proposed by the Board of Directors)

Proposal 5 : Proposal to process domestic capital increase by cash to issue common shares, to issue new shares as a result of cash capital increase for sponsoring issuance of GDR. Approval is respectfully requested.

Explanation : To respond to the change of whole operation environment in the future, to enrich working capital, to repay bank loans, to intensify the Company's financial structure, to purchase material overseas, and to satisfy the Company's capital requirements for the long-term development, the Company proposes to conduct the fund-raising proposal within the limit of 0.95 billion (950,000,000) new shares through domestic capital increase by cash, offering of new shares by way of capital increase by cash for sponsoring issuance of GDR. It is proposed that the board of directors be authorized by the shareholders' meeting to conduct the forgoing fundraising at suitable time by selection of one or collocation of two projects, and in one or in several installments according to market situations and capital requirement status of the Company, and in accordance with Articles of Incorporation, the related laws & regulations and the handling principles set forth as below. The main contents are described as follows:

1. The offering price: The offering price of domestic capital increase by cash through public fund raising will be decided according to the "Autonomy Rules Governing Underwriter Members for Guidance of Offering and Issuance of Securities by Issuing Company" of Taiwan Securities Association, and shall authorize the Chairman to decide with the underwriter together according to the market condition at the time of issuance. The offering price shall be submitted to the authority for records before issuance. The offering price shall be set by no less than the closing price of the Company's ordinary shares on Taiwan Stock Exchange Corporation on price determination date, 90% of the simple average closing price of the ordinary shares of the Company for either the one, three, or five business days before price determination date, after adjustment for any distribution of stock dividends and cash dividends. However, due to stock price fluctuation and security market change causing the actual price of each share lower than the face value, in order to raise fund smoothly and to improve long-term steady growth of the Company, it is necessary to decide such price. If the price of each share is lower than the face value, it is anticipated to cause the reduction of the capital reserve of the book or retain earning of the Company and will be made up according to actual operation situation in the future. Also, the offering price will be set according to the rules of the authority, after the effect of capital increase appears, the financial structure of the Company will be improved effectively and will benefit the Company's long-term development, and there shall be no unfavorable impact to the shareholders' interest.
2. Subscription ratio of employees and original shareholders: Except for 10% ~ 15% of new shares issued after capital increase reserved for subscription by employees of the Company based on the offering price in accordance with Article 267 the of Company Act, it is proposed that the shareholders' meeting to agree that the original shareholders will forfeit their right to subscription to the remaining new shares in accordance with Article 28-1 of Securities and Exchange Act, and all of the remaining new shares will be made public offering (domestic capital increase by cash) or/and to be offered to the public as the original securities for sponsoring issuance of GDR. The portion which employees had forfeited their rights to subscription or the portion left unsubscribed is proposed to authorize the Chairperson to negotiate with specific person(s) to subscribe or to be included in the original securities for sponsoring issuance of GDR based on market requirements.
3. The sales method of the public offering of domestic capital increase by cash: it is proposed to authorize the board of directors to select by either method of book-building or public subscription.
4. Impact to the interest of the original shareholders: In relation to this domestic capital

increase by cash and issuance of new shares by means of capital increase by cash for sponsoring issuance of GDR, the price determination method shall be conducted according to the relevant laws and regulations within the country and issuance market practice, therefore, the price determination method shall be deemed reasonable and will not cause major impact to the interest of the original shareholders. For common shares to be issued, if calculated under the limit of 0.95 billion shares, it is estimated that the new shares will be 9.55% of the common shares already issued by the Company and will not cause major dilution to the original shareholders' interest.

5. The reason and reasonability of issuing the share lower than par value due to the change of market rather than adopting other methods to raise the funds: In consideration of the steady operation and the safety of the financial structure of the Company, it is more appropriate to use the fundraising vehicle in relation to share rather than pure debt. By raising fund through domestic capital increase by cash, offering of new shares by way of capital increase by cash for sponsoring issuance of GDR, not only there will be no expense on interest, it also may reduce the financial risk, improve the financial structure, increase the flexibility of the Company's financial deploy, and benefits the long-term development of the Company. Also, there should be no adverse effect to the interest of the shareholders. Therefore, such fundraising vehicle in relation to shares should have its reasonability.
6. The funds raised from capital increase by cash is proposed to be used enrich working capital, to repay bank loans, to intensify the Company's financial structure, to purchase material overseas, and to satisfy the Company's capital requirements for the long-term development, in one or several purposes for replenishing the operational funds and repayment of bank loans, and it is expected to be performed completely within three years after the accomplishment of the fund-raising, the implementation of this plan can intensify the competitiveness of the Company, promote the operation efficiency, and then will have positive support to shareholders' equity.
7. It is proposed that shareholders' meeting to authorize the board of directors to adjust, make and deal with the major contents of plans in relation to the capital increase by cash, including actual number of issued shares, actual subscription proportion reserved for the employees, actual offering price, record date, offering conditions, plan items, amount of fund-raising, fund usage and scheduled progress, the anticipated and possible efficiency accrued and other matters related to offering procedures. In future if it is necessary to make change due to change of laws and regulations, requirement to revision from the competent authority, operation assessment or objective environment, the chairperson will be granted the full authorization to dispose of such matters.
8. Other than the above scope of authorization, it is proposed that the shareholders' meeting authorize the Chairperson or his designated person to approve and represent the Company to execute, negotiate, and change any and all related matters in relation to the issuance of securities.

Resolution :

(Proposed by the Board of Directors)

Proposal 6 : Proposal to overall re-election of directors. Approval is respectfully requested.

Explanation : 1. The term of office of the 7th directors of the Company will expire on June 30, 2019.
2. Seven directors (including three independent directors) and three supervisors shall be elected this time, the term of office from July 1, 2019 to June 30, 2022 for a term of three years.
3. The number of nominated directors (including three independent directors) is prescribed under the Articles of Incorporation; the candidate nomination system is adopted in accordance with Articles of Incorporation. Shareholders shall elect the directors and supervisors from the list of the candidates. For the educational background, experience, and other related information of the candidates, please refer to Attachment 9 (page 77-78)
4. It is proposed to submit for election.

Election Results:

(Proposed by the Board of Directors)

Proposal 7 : It is proposed to dismiss the non-competition obligation of the newly elected directors and its representatives. Approval is respectfully requested.

Explanation : 1. According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

2. The director candidates of this Company may have competition situation, under the condition that such competition will not damage to the Company, it is proposed to dismiss the limitation on the non-competition obligation of the directors, for the dismissed items please refer to Attachment 10 (page 79).

Resolution:

Extemporany Motion

Attachment 1

INNOLUX CORPORATION 2018 Operating Report

1. 2018 Operating Report

2018 has been a choppy year for the panel industry. In the first half of the year, the market suffered from the excessive supply of brands in the second half of 2017. The abundance of supply suppressed price increases. The third quarter has always been the peak season for panel sales. With the shortage of panel components and the high demand in the end market, the downstream brands actively purchased panels, resulting in a reverse trend in sales in the third quarter. In the fourth quarter, due to the adjustment of inventories, panel prices took a slight downturn.

The company's operating results in 2018 remained profitable. The consolidated revenue for this year was NT\$279.4 billion, and the net profit after tax was NT\$2.2 billion. It has been profitable for 6 consecutive years with an EPS of NT\$0.22.

Facing the continuous opening of capacity in new panel factories in mainland China, the market is expecting a long-term oversupply and a chaotic outlook. Encountering the inevitable impact on the panel industry, the company actively adjusts its business strategies, advances its technologies and develops new application fields with a view to entering high-end product markets and developing emerging markets. With the improvement in technical quality, the Company will find its new blue-sea, and maximize profits for the company and shareholders.

Looking forward to the future, the management team and all the employees are dedicated to and spare no efforts to bring greater benefit to the shareholders.

2. Results of operation scheme

In 2018 our consolidated revenue was NT\$ 279,376,115 thousands, which decreased NT\$ 49,798,286 thousands or 15% by compared with the 2017 yearly revenue of NT\$ 329,174,401 thousands. In 2018 our annual profit after tax which belonged to parent company was NT\$ 2,222,762 thousands, and the annual earnings per share is NT\$0.00

3. Budget Performance

Since we did not disclosure the financial forecast in 2018, we don't have to disclose our budget performances.

4. Analysis of financial operation and profitability

Item		2017	2018
Financial structure analysis (%)	Debt ratio (%)	36.29	38.10
	Long term funds to real estates, factories and equipments (%)	128.12	141.15
Debt-paying ability	Current ratio (%)	120.19	141.12
	Quick ratio (%)	96.12	113.81
	Interest guarantee (times)	53.16	12.59
Profitability	Return on total assets (%)	9.57	0.64
	Return on total shareholders' equity (%)	15.10	0.86
	Operating income to capital (%)	47.25	4.86
	Pre-tax income to capital (%)	49.18	6.60
	Net income to sales (%)	11.25	0.80
	Earnings per share (NT\$)	3.72	0.22

5. Research development situation

The company's display technology development continues to focus on developing customers' ideal product specifications, expanding the market, increasing the company's competitiveness and building a friendly environment. The product development objectives include environmentally friendly materials, power-saving, high resolution, high saturation, thin and light models, narrow frame, high dynamics, touch, wide viewing angle, and comprehensive service system integration, to achieve remarkable performance.

In order to strengthen the company's competitive advantages and long-term prospects, we are actively investing in new technologies and R&D of new products, such as flexible displays, IGZO, AMOLED (active-matrix organic light-emitting diode), AM Mini LED, MicroLED (micro-light emitting diode), touch integration technology, wide color gamut displays, and medium-large size touch panels, and have achieved considerable results, which have helped the company to stand out from the fiercely competitive industrial environment and achieve good results.

For large-size TFT-LCD products, besides continuous development towards larger size, energy saving, high image quality (4K and 8K) and narrow frames, the company's development of LCD TVs also emphasizes enhancing competitiveness of whole machine manufacturing. The company's development of LCD screens addresses e-sports and narrow borders, and the future development of notebook computers emphasizes on low power consumption, IGZO, narrow frames and thin and lightweight models. In addition, the company is also developing for new applications of panels, proactively expanding the scope of public displays, commercial displays and special applications. We hope to provide consumers with more diverse products to upgrade existing product lines.

For the medium-small sized panels, due to the booming development of the automotive market, smartphones and watch applications, and the maturity of touch technology, more and more manufacturers are investing in the next generation of technologies such as AMOLED or flexible panels, becoming the fastest growing and most diverse product category. Looking forward to 2019, new technologies including flexible, free shape laser cutting, fingerprint on display and Sound on Panel will be the trend for medium-small sized panels.

President:

Manager :

Chief Accountant :

Attachment 2

Audit Committee Review Report

The Board of Directors has duly submitted the 2018 operating report, financial statements, and table of profit distribution. The financial statements has been duly reviewed and approved by CPAs of PwC Taiwan with the issuance of Auditor's Report.

The Audit Committee of the Company, have completed the audit and review, and had found nothing inconsistent with any of the above operating report, financial statements, and table of profit distribution. Therefore, I issue this audit report for acknowledgment in accordance with the Securities and Exchange Act and the Company Act.

To

General Shareholders Meeting of the Company in 2019

Chairman of the Audit Committee
Chi-Chia Hsieh
Date: May 9, 2019

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Innolux Corporation and subsidiaries

Opinion

We have audited the accompanying consolidated balance sheets of Innolux Corporation (the “Company”) and its subsidiaries as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide

a separate opinion on these matters.

The key audit matters in relation to the financial statements for the year ended December 31, 2018 are outlined as follows:

Inventory valuation

Description

The industry is characterised in its significant fluctuations closely in connection with the economic environment. As the technology evolves rapidly, the Group's existing products may become obsolete when the customers demand for new products or the Group fails to compete with the evolutionary production approach. The abovementioned factors thus affect the sales amount ultimately. The Group has evaluated the inventory by taking into account of allowance, obsolescence or trivial sales amount and the cost has been written down to the net realizable value. For details of inventory, please refer to Note 6(6). As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is dependent upon significant management judgement, we consider inventory valuation a key audit matter.

How our audit addressed the matter

We assessed whether the accounting policies on the provision for the loss on decline in value and obsolescence of inventory are reasonable and in accordance with the accounting principles, as well as whether they are applied consistently. We examined inventory aging report and assessed the reasonableness of provision for the loss on slow-moving inventory. We also assessed the reasonableness of net realizable value and the appropriateness of valuation basis.

Valuation and impairment of goodwill and property, plant and equipment

Description

For details of the impairment valuation of goodwill and property, plant and equipment, please refer to Notes 6(8) and 6(10).

Innolux Corporation estimates future cash flows based on appropriate discount rates. In determining whether goodwill and property, plant and equipment may be impaired, the recoverable amount of the cash generating unit is measured based on how assets are utilized, duration years of assets and projected income and expenses in the future. The estimate involves several assumptions such as determination of discount rates, expected growth rate and future financial projections. As these estimates are dependent upon significant management judgement, we consider management's

assessment of impairment of goodwill and property, plant and equipment a key audit matter.

How our audit addressed the matter

We assessed the key assumptions used by management in estimating expected future cash flows, including the reasonableness of expected operating revenue, gross profit, changes in expenses, and the basic assumptions applied in expected future cash flows. We also examined the parameters of discount rates, including the risk-free rate of return on equity capital, the risk factor of the industry and the rate of return on similar investments in the market.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Innolux Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant

ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

PricewaterhouseCoopers, Taiwan

February 14, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018	December 31, 2017
	Current Assets			
1100	Cash and cash equivalents	6(1)	\$ 33,847,328	\$ 65,988,955
1110	Financial assets at fair value	6(2)		
	through profit or loss - current		398,913	405,060
1136	Financial assets at amortized cost -	6(4)		
	current		51,426,053	-
1170	Accounts receivable, net	6(5)	45,064,157	41,322,705
1180	Accounts receivable, net - related	7		
	parties		4,449,977	17,727,082
1200	Other receivables	7	1,489,260	1,212,164
130X	Inventory	6(6)	30,856,552	30,259,021
1410	Prepayments		1,993,152	1,487,832
1479	Other current assets	8	208,724	127,136
11XX	Total current assets		<u>169,734,116</u>	<u>158,529,955</u>
	Non-current assets			
1510	Financial assets at fair value	6(2)		
	through profit or loss - non-current		1,599,869	257,676
1517	Financial assets at fair value	6(3)		
	through other comprehensive			
	income - non-current		3,834,376	-
1523	Available-for-sale financial assets	12(4)		
	- non-current		-	6,555,189
1550	Investments accounted for under	6(7)		
	equity method		1,802,921	1,491,139
1600	Property, plant and equipment	6(8), 7 and 8	206,617,960	220,864,627
1760	Investment property, net	6(9)	551,970	562,697
1780	Intangible assets	6(10) and 8	17,681,485	17,910,908
1840	Deferred income tax assets	6(25)	7,223,864	6,348,761
1990	Other non-current assets	6(8) and 8	2,873,043	2,337,806
15XX	Total non-current assets		<u>242,185,488</u>	<u>256,328,803</u>
1XXX	Total assets		<u>\$ 411,919,604</u>	<u>\$ 414,858,758</u>

(Continued)

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
	Current Liabilities			
2120	Financial liabilities at fair value	6(2)		
	through profit or loss - current		\$ 23,779	\$ 52,500
2170	Accounts payable		52,350,845	50,876,500
2180	Accounts payable - related parties	7	2,652,127	2,565,010
2200	Other payables	6(11) and 7	32,581,609	58,897,804
2230	Current income tax liabilities	6(25)	5,593,063	1,891,188
2250	Provisions - current	6(14) and 9	6,782,914	5,460,862
2320	Long-term liabilities, current	6(12)		
	portion		16,194,486	10,951,114
2399	Other current liabilities		4,095,853	1,199,194
21XX	Total current liabilities		<u>120,274,676</u>	<u>131,894,172</u>
	Non-current liabilities			
2540	Long-term borrowings	6(12)	35,142,090	17,287,788
2570	Deferred income tax liabilities	6(25)	880,013	734,423
2600	Other non-current liabilities	6(13)	632,120	617,327
25XX	Total non-current liabilities		<u>36,654,223</u>	<u>18,639,538</u>
2XXX	Total liabilities		<u>156,928,899</u>	<u>150,533,710</u>
	Equity attributable to owners of the parent			
3110	Share capital - common stock	6(15)	99,520,720	99,520,720
3200	Capital surplus	6(16)	99,648,115	99,646,919
	Retained earnings	6(17)		
3310	Legal reserve		7,648,437	3,945,576
3320	Special reserve		1,090,721	3,418,804
3350	Unappropriated retained earnings		51,746,175	58,883,750
3400	Other equity interest	6(18)	(4,663,463)	(1,090,721)
3XXX	Total equity		<u>254,990,705</u>	<u>264,325,048</u>
3X2X	Total liabilities and equity		<u>\$ 411,919,604</u>	<u>\$ 414,858,758</u>

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

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2018	2017
4000	Sales revenue	6(19) and 7	\$ 279,376,115	\$ 329,174,401
5000	Operating costs	6(6)(23) and 7	(252,562,557)	(260,435,724)
5900	Net operating margin		26,813,558	68,738,677
	Operating expenses	6(24)		
6100	Selling expenses		(3,071,282)	(1,942,594)
6200	General and administrative expenses		(6,771,502)	(6,857,153)
6300	Research and development expenses		(12,135,478)	(12,916,721)
6000	Total operating expenses		(21,978,262)	(21,716,468)
6900	Operating profit		4,835,296	47,022,209
	Non-operating income and expenses			
7010	Other income	6(20)	3,025,467	2,528,814
7020	Other gains and losses	6(21)	(1,168,235)	(154,188)
7050	Finance costs	6(22)	(566,967)	(730,500)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	443,869	274,854
7000	Total non-operating income and expenses		1,734,134	1,918,980
7900	Profit before income tax		6,569,430	48,941,189
7950	Income tax expense	6(25)	(4,346,668)	(11,912,580)
8200	Profit for the year		\$ 2,222,762	\$ 37,028,609

(Continued)

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	2018	2017
Other comprehensive (loss) income (net)			
Components of other comprehensive loss that will not be reclassified to profit or loss			
8311 Remeasurement of defined benefit obligations	6(13)	(\$ 29,878) (\$ 49,571)	
8316 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	6(18)	(2,828,816)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	5,976	8,427
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		(2,852,718) (41,144)	
Components of other comprehensive (loss) income that will be reclassified to profit or loss			
8361 Financial statements translation differences of foreign operations	6(18)	(828,563) (1,643,264)	
8362 Unrealized gain on valuation of available-for-sale financial assets	6(18)	-	4,322,008
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(18)	84,637 (33,551)	
8399 Income tax relating to the components of other comprehensive loss that will be reclassified to profit or loss	6(25)	- (317,110)	
8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss		(743,926)	2,328,083
8300 Other comprehensive (loss) income for the year, net of tax		(\$ 3,596,644)	\$ 2,286,939
8500 Total comprehensive (loss) income for the year		(\$ 1,373,882)	\$ 39,315,548
Profit (loss) attributable to:			
8610 Owners of the parent		\$ 2,222,762	\$ 37,028,609
Other comprehensive (loss) income attributable to:			
8710 Owners of the parent		(\$ 1,373,882)	\$ 39,315,548
Earnings per share (in dollars)	6(26)		
9750 Basic earnings per share		\$ 0.22	\$ 3.72
9850 Diluted earnings per share		\$ 0.22	\$ 3.63

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

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent										

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

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 6,569,430	\$ 48,941,189
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortization	6(23)	35,878,131	33,564,048
Net loss on financial assets or liabilities at fair value through profit or loss		301,253	-
Expected credit loss		100,233	-
Share of loss of associates and joint ventures accounted for under equity method	6(7)	(443,869)	(274,854)
Gain from disposal of investments	6(21)	(968)	(2,483,645)
Loss on disposal of property, plant and equipment	6(21)	267,509	597,261
Impairment loss	6(21)	-	3,120,824
Interest expense	6(22)	566,967	730,500
Interest income	6(20)	(991,116)	(472,331)
Dividend income	6(20)	(236,574)	(151,677)
Unrealized foreign exchange loss (gain)		149,778	(4,725)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets /liabilities at fair value through profit or loss - current		(22,574)	(1,486,042)
Accounts receivable		(1,514,778)	11,532,927
Accounts receivable - related parties		13,277,320	(6,127,723)
Other receivables		(214,028)	845,803
Inventories		(597,531)	(6,857,293)
Prepayments		(505,320)	64,541
Other current assets		(55,873)	23,807
Changes in operating liabilities			
Accounts payable		1,474,345	(998,805)
Accounts payable - related parties		87,117	(2,555,225)
Other payables		(1,755,666)	6,975,259
Provisions - current		1,322,052	1,695,628
Other current liabilities		370,916	(221,458)
Other non-current liabilities		(78,805)	16,688
Cash inflow generated from operations		53,947,949	86,474,697
Cash paid for income tax		(1,368,330)	(3,832,038)
Net cash flows from operating activities		52,579,619	82,642,659

(Continued)

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets or liabilities at fair value through profit or loss - non-current		(\$ 172,555)	\$ -
Acquisition of investments in equity instruments measured at fair value through other comprehensive income		(1,568,983)	-
Acquisition of financial assets at amortized cost		(51,592,853)	-
Acquisition of available-for-sale financial assets		-	(122,755)
Proceeds from disposal of available-for-sale financial assets		-	2,907,052
Proceeds from capital reduction of available-for-sale financial assets		-	145,575
Increase in investment accounted for under equity method		(93,443)	-
Proceeds from disposal of investment accounted for under equity method		28,928	-
Increase in other financial assets		(376,107)	(45,381)
Acquisition of property, plant and equipment	6(27)	(46,702,767)	(25,016,706)
Proceeds from disposal of property, plant and equipment		32,249	263,357
Acquisition of intangible assets	6(10)	(72,614)	(327,760)
Decrease (increase) in other non-current assets		6,777	(2,404)
Interest received		928,781	448,903
Dividends received		545,771	418,010
Net cash flows used in investing activities		(99,036,816)	(21,332,109)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		-	(11,579,025)
Increase in long-term borrowings		34,000,000	-
Payment of long-term borrowings		(10,960,000)	(16,440,000)
Interest paid		(472,841)	(588,511)
Cash dividends paid	6(17)	(7,961,657)	(995,204)
Net cash flows from (used in) financing activities		14,605,502	(29,602,740)
Effect of changes in foreign currency exchange		(289,932)	(1,103,694)
Net (decrease) increase in cash and cash equivalents		(32,141,627)	30,604,116
Cash and cash equivalents at beginning of year		65,988,955	35,384,839
Cash and cash equivalents at end of year		<u>\$ 33,847,328</u>	<u>\$ 65,988,955</u>

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Innolux Corporation:

Opinion

We have audited the accompanying parent company only balance sheets of Innolux Corporation (the “Company”) as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the financial statements for the year ended December 31, 2018 are outlined as follows:

Inventory valuation

Description

The industry is characterised in its significant fluctuations closely in connection with the economic environment. As the technology evolves rapidly, the Company's existing products may become obsolete when the customers demand for new products or the Company fails to compete with the evolutionary production approach. The abovementioned factors thus affect the sales amount ultimately. The Company has evaluated the inventory by taking into account of allowance, obsolescence or trivial sales amount and the cost has been written down to the net realizable value. For details of inventory, please refer to Note 6(6). As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is dependent upon significant management judgement, we consider inventory valuation a key audit matter.

How our audit addressed the matter

We assessed whether the accounting policies on the provision for the loss on decline in value and obsolescence of inventory are reasonable and in accordance with the accounting principles, as well as whether they are applied consistently. We examined inventory aging report and assessed the reasonableness of provision for the loss on slow-moving inventory. We also assessed the reasonableness of net realizable value and the appropriateness of valuation basis.

Valuation and impairment of goodwill and property, plant and equipment

Description

For details of the impairment valuation of goodwill and property, plant and equipment, please refer to Notes 6(8) and 6(10).

Innolux Corporation estimates future cash flows based on appropriate discount rates. In determining whether goodwill and property, plant and equipment may be impaired, the recoverable amount of the cash generating unit is measured based on how assets are utilised, duration years of assets and projected income and expenses in the future. The estimate involves several assumptions such as determination of discount rates, expected growth rate and future financial projections. As these estimates are dependent upon significant management judgement, we consider management's assessment of impairment of goodwill and property, plant and equipment a key audit matter.

How our audit addressed the matter

We assessed the key assumptions used by management in estimating expected future cash flows, including the reasonableness of expected operating revenue, gross profit, changes in expenses, and the basic assumptions applied in expected future cash flows. We also examined the parameters of discount rates, including the risk-free rate of return on equity capital, the risk factor of the industry and the rate of return on similar investments in the market.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

Those charged with governance, including audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers, Taiwan

February 14, 2019

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

INNOLUX CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018	December 31, 2017
	Current assets			
1100	Cash and cash equivalents	6(1)	\$ 23,269,922	\$ 53,532,826
1110	Financial assets at fair value	6(2)		
	through profit or loss - current		160,172	106,634
1136	Financial assets at amortized cost -	6(4)		
	current		49,779,150	-
1170	Accounts receivable, net	6(5)	39,176,537	39,078,322
1180	Accounts receivable, net - related	7		
	parties		8,447,974	9,483,133
1200	Other receivables		595,079	636,591
1210	Other receivables - related parties	7	393,518	28,791
130X	Inventory	6(6)	26,805,645	25,381,254
1410	Prepayments		706,270	1,050,467
1479	Other current assets		2,426	887
11XX	Total current assets		<u>149,336,693</u>	<u>129,298,905</u>
	Non-current assets			
1510	Financial assets at fair value	6(2)		
	through profit or loss - non-current		1,198,417	-
1517	Financial assets at fair value	6(3)		
	through other comprehensive			
	income - non-current		1,111,388	-
1523	Available-for-sale financial assets	12(4)		
	- non-current		-	1,308,207
1550	Investments accounted for under	6(7)		
	equity method		83,002,481	81,614,542
1600	Property, plant and equipment	6(8), 7 and 8	176,216,141	191,778,224
1760	Investment property, net	6(9)	551,970	562,697
1780	Intangible assets	6(10) and 8	17,599,664	17,681,078
1840	Deferred income tax assets	6(25)	7,166,754	6,227,042
1990	Other non-current assets	6(8) and 8	2,074,099	1,460,605
15XX	Total non-current assets		<u>288,920,914</u>	<u>300,632,395</u>
1XXX	Total assets		<u>\$ 438,257,607</u>	<u>\$ 429,931,300</u>

(Continued)

INNOLUX CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
	Current liabilities			
2120	Financial liabilities at fair value	6(2)		
	through profit or loss - current		\$ 19,899	\$ 52,500
2170	Accounts payable		26,777,128	29,023,773
2180	Accounts payable - related parties	7	62,465,508	44,859,800
2200	Other payables	6(11) and 7	28,693,227	55,797,132
2230	Current income tax liabilities	6(25)	2,634,659	-
2250	Provisions - current	6(14) and 9	6,782,914	5,460,862
2320	Long-term liabilities, current	6(12)		
	portion		16,194,486	10,951,114
2399	Other current liabilities		3,183,671	955,648
21XX	Total current liabilities		146,751,492	147,100,829
	Non-current liabilities			
2540	Long-term borrowings	6(12)	35,142,090	17,287,788
2570	Deferred income tax liabilities	6(25)	880,013	734,423
2670	Other non-current liabilities	6(13)	493,307	483,212
25XX	Total non-current liabilities		36,515,410	18,505,423
2XXX	Total liabilities		183,266,902	165,606,252
	Equity			
3110	Share capital - common stock	6(15)	99,520,720	99,520,720
3200	Capital surplus	6(16)	99,648,115	99,646,919
	Retained earnings	6(17)		
3310	Legal reserve		7,648,437	3,945,576
3320	Special reserve		1,090,721	3,418,804
3350	Unappropriated retained earnings		51,746,175	58,883,750
3400	Other equity interest	6(18)	(4,663,463)	(1,090,721)
3XXX	Total equity		254,990,705	264,325,048
3X2X	Total liabilities and equity		\$ 438,257,607	\$ 429,931,300

The accompanying notes are an integral part of these parent company only financial statements.

INNOLUX CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2018	2017
4000	Sales revenue	6(19) and 7	\$ 278,407,555	\$ 323,687,952
5000	Operating costs	6(6)(23) and 7	(260,401,853)	(266,236,118)
5900	Net operating margin		<u>18,005,702</u>	<u>57,451,834</u>
	Operating expenses	6(23) and 7		
6100	Selling expenses		(1,654,671)	(980,494)
6200	General and administrative expenses		(4,700,630)	(3,635,529)
6300	Research and development expenses		(11,294,086)	(12,202,018)
6000	Total operating expenses		(17,649,387)	(16,818,041)
6900	Operating profit		<u>356,315</u>	<u>40,633,793</u>
	Non-operating income and expenses			
7010	Other income	6(20)	2,232,724	2,410,518
7020	Other gains and losses	6(21)	(752,123)	(1,236,027)
7050	Finance costs	6(22)	(565,881)	(730,497)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		<u>2,957,675</u>	<u>3,997,806</u>
7000	Total non-operating income and expenses		<u>3,872,395</u>	<u>4,441,800</u>
7900	Profit before income tax		4,228,710	45,075,593
7950	Income tax expense	6(25)	(2,005,948)	(8,046,984)
8200	Profit for the year		<u>\$ 2,222,762</u>	<u>\$ 37,028,609</u>
	Other comprehensive (loss) income (net)			
	Components of other comprehensive loss that will not be reclassified to profit or loss			
8311	Remeasurement of defined benefit obligations	6(13)	(\$ 29,878)	(\$ 49,571)
8316	Unrealized losses on financial assets at fair value through other comprehensive income	6(18)	(229,701)	-
8330	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for under equity method	6(18)	(2,599,115)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	<u>5,976</u>	<u>8,427</u>
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		(2,852,718)	(41,144)
	Components of other comprehensive (loss) income that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations	6(18)	(828,563)	(1,643,264)
8362	Unrealized gain on valuation of available-for-sale financial assets	6(18)	-	2,855,347
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method	6(18)	84,637	1,433,110
8399	Income tax relating to the components of other comprehensive loss that will be reclassified	6(25)	<u>-</u>	<u>(317,110)</u>
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		(743,926)	2,328,083
8300	Other comprehensive (loss) income for the year, net of tax		(\$ 3,596,644)	\$ 2,286,939
8500	Total comprehensive (loss) income for the year		<u>(\$ 1,373,882)</u>	<u>\$ 39,315,548</u>
	Earnings per share (in dollars)	6(26)		
9750	Basic earnings per share		<u>\$ 0.22</u>	<u>\$ 3.72</u>
9850	Diluted earnings per share		<u>\$ 0.22</u>	<u>\$ 3.63</u>

The accompanying notes are an integral part of these parent company only financial statements.

INNOLUX CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings			Other Equity Interest			
	Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets	Total
2017										
Balance at January 1		\$ 99,521,488	\$ 99,647,810	\$ 3,758,507	\$ -	\$ 26,497,362	(\$ 4,040,408)	\$ -	\$ 621,604	\$ 226,006,363
Profit for the year		-	-	-	-	37,028,609	-	-	-	37,028,609
Other comprehensive income for the year	6(18)	-	-	-	-	(41,144)	(1,676,815)	-	4,004,898	2,286,939
Total comprehensive income		-	-	-	-	36,987,465	(1,676,815)	-	4,004,898	39,315,548
Appropriation of 2016 earnings:	6(17)									
Legal reserve		-	-	187,069	-	(187,069)	-	-	-	-
Special reserve		-	-	-	3,418,804	(3,418,804)	-	-	-	-
Cash dividends		-	-	-	-	(995,204)	-	-	-	(995,204)
Cancellation of restricted stock to employees		(768)	768	-	-	-	-	-	-	-
Recognition of change in equity of associates in proportion to the Company's ownership	6(16)	-	(1,659)	-	-	-	-	-	-	(1,659)
Balance at December 31		\$ 99,520,720	\$ 99,646,919	\$ 3,945,576	\$ 3,418,804	\$ 58,883,750	(\$ 5,717,223)	\$ -	\$ 4,626,502	\$ 264,325,048
2018										
Balance at January 1		\$ 99,520,720	\$ 99,646,919	\$ 3,945,576	\$ 3,418,804	\$ 58,883,750	(\$ 5,717,223)	\$ -	\$ 4,626,502	\$ 264,325,048
Effect of modified retrospective approach under IFRS 9	6(18)	-	-	-	-	-	-	4,626,502	(4,626,502)	-
Balance at January 1 after adjustments		99,520,720	99,646,919	3,945,576	3,418,804	58,883,750	(5,717,223)	4,626,502	-	264,325,048
Profit for the year		-	-	-	-	2,222,762	-	-	-	2,222,762
Other comprehensive loss for the year	6(18)	-	-	-	-	(23,902)	(743,926)	(2,828,816)	-	(3,596,644)
Total comprehensive income		-	-	-	-	2,198,860	(743,926)	(2,828,816)	-	(1,373,882)
Appropriation of 2017 earnings:	6(17)									
Legal reserve		-	-	3,702,861	-	(3,702,861)	-	-	-	-
Special reserve		-	-	-	(2,328,083)	2,328,083	-	-	-	-
Cash dividends		-	-	-	-	(7,961,657)	-	-	-	(7,961,657)
Recognition of change in equity of associates in proportion to the Company's ownership	6(16)	-	1,196	-	-	-	-	-	-	1,196
Balance at December 31		\$ 99,520,720	\$ 99,648,115	\$ 7,648,437	\$ 1,090,721	\$ 51,746,175	(\$ 6,461,149)	\$ 1,797,686	\$ -	\$ 254,990,705

The accompanying notes are an integral part of these parent company only financial statements.

INNOLUX CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 4,228,710	\$ 45,075,593
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortization	6(23)	31,969,539	29,669,396
Net loss on financial assets or liabilities at fair value through profit or loss		109,790	-
Expected credit loss		100,000	-
Share of profit of subsidiaries and associates accounted for under equity method		(2,957,675)	(3,997,806)
Loss on disposal of investments	6(21)	10,533	-
Loss on disposal of property, plant and equipment	6(21)	18,641	32,859
Impairment loss	6(21)	-	3,049,547
Interest income	6(20)	(775,096)	(301,764)
Dividend income	6(20)	(5,838)	(22,678)
Interest expense	6(22)	565,881	730,497
Unrealized foreign exchange loss (gain)		149,778	(4,725)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets /liabilities at fair value through profit or loss - current		(86,139)	(724,808)
Accounts receivable		2,128,692	11,615,189
Accounts receivable - related parties		1,038,736	715,881
Other receivables		124,760	554,181
Inventories		(1,424,391)	(6,483,338)
Prepayments		344,197	(171,957)
Other current assets		(1,539)	34,910
Changes in operating liabilities			
Accounts payable		(2,246,645)	(226,252)
Accounts payable - related parties		17,605,708	(5,460,614)
Other payables		(1,751,921)	6,665,654
Provisions - current		1,322,052	1,695,628
Other current liabilities		(301,082)	(169,330)
Other non-current liabilities		(83,503)	28,840
Cash inflow generated from operations		50,083,188	82,304,903
Cash paid for income tax		(159,435)	(536,988)
Net cash flows from operating activities		49,923,753	81,767,915

(Continued)

INNOLUX CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in other receivables - related parties		(\$ 364,727)	\$ 3,625
Acquisition of investments in equity instruments measured at fair value through other comprehensive income		(1,341,089)	-
Acquisition of financial assets at amortized cost		(49,945,950)	-
Proceeds from capital reduction of available-for-sale financial assets		-	145,575
Increase in investment accounted for under equity method		(2,188,258)	-
Proceeds from capital reduction of investments accounted for under equity method		96,421	1,790,881
(Increase) decrease in other financial assets		(350,449)	30
Acquisition of property, plant and equipment	6(27)	(41,713,067)	(22,321,235)
Proceeds from disposal of property, plant and equipment		34,691	293,308
Acquisition of intangible assets	6(10)	(28,240)	(106,781)
Increase in other non-current assets		(177)	(319)
Interest received		692,581	295,245
Dividends received		315,020	339,710
Net cash flows used in investing activities		(94,793,244)	(19,559,961)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		-	(11,579,025)
Increase in long-term borrowings		34,000,000	-
Payment of long-term borrowings		(10,960,000)	(16,440,000)
Cash dividends paid	6(17)	(7,961,657)	(995,204)
Interest paid		(471,756)	(588,508)
Net cash flows from (used in) financing activities		14,606,587	(29,602,737)
Net (decrease) increase in cash and cash equivalents		(30,262,904)	32,605,217
Cash and cash equivalents at beginning of year		53,532,826	20,927,609
Cash and cash equivalents at end of year		<u>\$ 23,269,922</u>	<u>\$ 53,532,826</u>

The accompanying notes are an integral part of these parent company only financial statements.

Attachment 4

INNOLUX CORPORATION 2018 Profit Distribution Table

Unit: NT\$

Item	Amount	Explanation
Accumulated retained earning at the start of the year	49,547,315,560	
Adjusted retained earnings of year 2018	(23,902,984)	Note 1
Adjusted undistributed retained earnings	49,523,412,576	
Profit after tax of Year 2018	2,222,762,061	
Minus Legal reserve (10%)	(222,276,206)	
Special reserve	(3,572,741,932)	Note 2
Profit distributable	47,951,156,499	
Distribution Item		
Cash dividends to shareholders	597,124,319	To distribute NT\$ 0.06 per share
Subtotal of dividends to shareholders	597,124,319	
Unappropriated retained earnings to date	47,354,032,180	

Note 1: The number of adjusted retained earnings of year 2018 is the defined retirement benefit plan actuarial loss.

Note 2: The Company shall set aside a special reserve from the net deductions from shareholders' equity (including exchange differences from the translation of financial statements of foreign operations, unrealized financial assets profits at fair value through other comprehensive income) for the current fiscal year.

Chairman:

General Manager:

Accountant:

**Comparative table for Amendments to
Articles of Incorporation**

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 4-2	For the issuance of employee stock option of the Company at a price less than market price, such issuance shall be in accordance with “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” and shall be adopted by a resolution of shareholders’ meeting	For the issuance of employee stock option of the Company at a price less than market price, such issuance shall be in accordance with “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” and shall be adopted by a resolution of shareholders’ meeting If the Company transfers the buyback shares to its employees at a price less than average price of actual buyback price, such transfer shall be in accordance with related regulations and shall be adopted by a resolution of its latest shareholders’ meeting. The Company’s bought-back treasury shares are assigned or transferred to subsidiary company employees meeting specific requirements. The Board of Directors are delegated to decide such requirements and methods of transfer. The Company’s share subscription warrants are entitled to subordinate company employees meeting specific requirements. The Board of Directors are delegated to decide such requirements and issuance methods. When the Company issues new share, the new shares are entitled to subsidiary company employees meeting specific requirements. The Board of Directors are delegated to decide such requirements and methods of obtaining. The Company’s restricted stocks are entitled to subsidiary company employees meeting specific requirements. The Board of Directors are delegated to decide such requirements and distribution methods.	1.The second item is moved from the original fourth article. 2.In accordance with Articles 167(1), 167(2), 3, 267, 7 and 11 of the Companies Act, the third to sixth items are added.

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 4-3	If the Company transfers the buyback shares to its employees at a price less than average price of actual buyback price, such transfer shall be in accordance with related regulations and shall be adopted by a resolution of its latest shareholders' meeting.	Delete	Incorporate the second item of Article 4 -2
Article 6	The shares of the Company shall be in registered form, serially numbered, shall be affixed with the signatures or personal seals of three or more directors, and shall be duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance thereof. The Company may be exempted from printing any share certificate for the shares issued, but shall appoint a centralized securities custody enterprise/institution to make recordation of the issue of such shares.	The Company may be exempted from printing any share certificate for the shares issued, but shall appoint a centralized securities custody enterprise/institution to make recordation of the issue of such shares.	Amended in accordance with Article 161-2 of the Company Law
Article 26	This Articles of Incorporation was made by all promoters on November 21, 2002. The first amendment was made on March 21, 2003.... (omitted) The enighteenth amendment is on June 20, 2018.	This Articles of Incorporation was made by all promoters on November 21, 2002. The first amendment was made on March 21, 2003.... (omitted) The enighteenth amendment is on June 20, 2018. <u>The nineteenth amendment is on June 20, 2019.</u>	To explain the amendment history of Articles of Incorporation

**Comparative table for Amendments to
The Operating Procedure Governing the Acquisition and Disposal of Assets of the
Company**

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 3	Assets Scope 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. Claims of financial institutions. (Including receivables, bills purchased and discounted, loans, and overdue receivables). 6. Derivatives. 7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 8. Other major assets.	Assets Scope 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, and investment property) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. Right-of-use assets. 6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 7. Derivatives. 8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 9. Other major assets.	Amended with the provisions of the law

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 4	Definition of Terms 1. Derivatives: Refers to forward contracts, option contracts, futures contracts, leverage contracts, exchange contracts derived from assets, interest rates, exchange rates, index and other similar commodities, and complicate contracts from combination of them. Forward contracts are excluded from insurance contracts, performance contracts, post-sale service contracts, long-term lease contracts and long-term purchasing (selling) goods contracts. 2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act. 3. Related parties or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities. 4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment. 5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever	Definition of Terms 1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. 2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act. 3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. 4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment. 5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment	Amended with the provisions of the law

Article No.	The current Article	The Amended Article	Reasons for Amendment
	date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply. 6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.	trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply. 6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area. 7. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located. 8. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.	
Article 5	The limit of non-business real estate and securities that are invested by the Company and its subsidiaries shall be in accordance with following provisions: 1. Investment limits of the Company:	The limit of non-business real estate, right-of-use assets and securities that are invested by the Company and its subsidiaries shall be in accordance with following provisions: 1. Investment limits of the	Amended with the provisions of the law

Article No.	The current Article	The Amended Article	Reasons for Amendment
	(a)The investment for non-business real estate shall be no more than 20% net value of the Company. (b)The total investment of securities shall be no more than 60% net value of the Company, and the amount that is invested in an individual security shall be no more than 30% net value of the Company. 2.Investment limits of subsidiaries: (a)The investment for non-business real estate shall be no more than 20% of net value of the parent company. (b)The total investment of securities shall be no more than 60% net value of the parent company, and the amount that is invested in an individual security shall be no more than 30% net value of the parent company. The total amount of the investment in securities is calculated based on the original cost of the investment.	Company: (a)The investment for non-business real estate and right-of-use assets shall be no more than 20% net value of the Company. (b)The total investment of securities shall be no more than 60% net value of the Company, and the amount that is invested in an individual security shall be no more than 30% net value of the Company. 2.Investment limits of subsidiaries: (a)The investment for non-business real estate and right-of-use assets shall be no more than 20% of net value of the parent company. (b)The total investment of securities shall be no more than 60% net value of the parent company, and the amount that is invested in an individual security shall be no more than 30% net value of the parent company. The total amount of the investment in securities is calculated based on the original cost of the investment.	

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 6	Appraisal Report or Opinions 1. Where the Company receives an appraisal report or opinion from accountants, lawyers or securities underwriters, neither any of these professional agents nor their appraisers, accountants, lawyers or securities underwriters shall be related parties to any transaction. 2. The Company shall obtain testimonial papers issued by the Court of Justice if the Company acquires or disposes of 7th, 8th, 9th, 10th assets in accordance with auction procedures of Court of Justice to replace the appraisal report or opinions.	Appraisal Report or Opinions Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements: 1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received. 2. May not be a related party or de facto related party of any party to the transaction. 3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following: 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. 2. When examining a case, they shall appropriately plan and execute adequate working	Amended with the provisions of the law

Article No.	The current Article	The Amended Article	Reasons for Amendment
		procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers. 3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion. 4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations. The Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.	
Article 7	Operating procedure governing the acquisition and disposal of real property and equipments 1.Evaluation Procedure For the evaluation of the acquisition and disposal of real property and equipments of the Company, the asset responsible department shall proceed with feasibility evaluation report and to be reviewed and signed by the business executives department. Such acquisition and disposal may be conducted after the approval according to the “Rules of Level of Authority” according to the Company. 2.Operational Procedure for the acquisition and disposal of real	In acquiring or disposing of real property, equipment, or right-of-use assets 1.Evaluation Procedure For the evaluation of the acquisition adn disposal of real property , equipments or right-of-use assets of the Company,the asset responsible department shall proceed with feasibility evaluation report and to be reviewed and signed by the business executives department. Such acquisition and disposal may be conducted after the approval according to the “Rules of Level of Authority” according to the Company. 2.Operational Procedure	Cooperate with the revision of the law, the actual operation of the company and the original Article 16 changes, as appropriate for text modification

Article No.	The current Article	The Amended Article	Reasons for Amendment
	property and equipments (a) In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with the competent authority, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be agreed by more than 1/2 of the members of the Audit Committees and shall be submitted for approval in advance by the board of directors and shall apply to the rules set forth under Section 2 and Section 3 of Article 16. The same procedure shall be followed for any future changes to the terms and conditions of the transaction. (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are	(a) In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be agreed by more than 1/2 of the members of the Audit Committees and shall be submitted for approval in advance by the board of directors and shall apply to the rules set forth under Section 2 and Section 3 of Article 17. The same procedure shall be followed for any future changes to the terms and conditions of the transaction. (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the	

Article No.	The current Article	The Amended Article	Reasons for Amendment
	higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: (i) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. (ii) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser. (b) After the acquisition of the assets, it shall register, administer, and use according to the Fixed Asset Management Operating Procedure.	assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: (i) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. (ii) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser. (b) After the acquisition of the assets, it shall register, administer, and use according to the Fixed Asset Management Operating Procedure.	

Article No.	The current Article	The Amended Article	Reasons for Amendment
	3.The determination procedure of transaction term and the amount of authority delegated (a) Method of Price Determination and References For acquiring or disposing of real property or equipments, the department which propose to such demand shall submitted the explanation the reasons, the referring current assessed value, actual real estate transaction price nearby, etc for signed and approval, and the price shall be determined after price inquiring, price negotiation, or bidding. (b) Authorization Level (1)Acquisition or disposal of real property or equipment with the transaction amount less than (including) NT\$300 million, to authorize responsible unit to decide and execute; for transaction amount more than NT\$300 million, it shall be agreed by more than 1/2 of the members of the Audit Committees and be approved in advance by the board of directors before conducting such transaction, and it shall apply to the rules set forth under Section 2 and Section 3 of Article 16. (2)However, if the asset type to be acquired or disposed is for business-use equipment, and the transaction party is not a related party, the procedure shall be processed according to the Level of Authority. (3) When entering into purchase contract with the opposite party, in order to cooperate with the business requirement and for the	3.The determination procedure of transaction term and the amount of authority delegated (a) Method of Price Determination and References For acquiring or disposing of real property, equipments or right-of-use assets the department which propose to such demand shall submitted the explanation the reasons, the referring current assessed value, actual real estate transaction price nearby, etc for signed and approval, and the price shall be determined after price inquiring, price negotiation, or bidding. (b) Authorization Level (1)Acquisition ,disposal or right-of-use assets of real property or equipment with the transaction amount less than (including) NT\$300 million, to authorize responsible unit to decide and execute; for transaction amount more than NT\$300 million, it shall be agreed by more than 1/2 of the members of the Audit Committees and be approved in advance by the board of directors before conducting such transaction, and it shall apply to the rules set forth under Section 2 and Section 3 of Article 17. (2)However, if the asset type to be acquired or disposed is for business-use equipment or right-of-use assets, and the transaction party is not a related party, the procedure shall be processed according to the Level of Authority. (3) When entering into purchase contract with the opposite party, in order to cooperate with the business	

Article No.	The current Article	The Amended Article	Reasons for Amendment
	sake of efficiency, the board of directors may authorize the Chairman to approve, after approval the contract can be entered into in advance, and after the occurrence of the transaction, subsequently to submit it for rectification by the last board of directors meeting. 4.Trading Procedure The transaction procedure of the Company in acquiring or disposing of real property and equipments shall proceed according to fixed asset cycle related procedure of the internal control system.	requirement and for the sake of efficiency, the board of directors may authorize the Chairman to approve, after approval the contract can be entered into in advance, and after the occurrence of the transaction, subsequently to submit it for rectification by the last board of directors meeting. 4.Trading Procedure The transaction procedure of the Company in acquiring or disposing of real property , equipments or right-of-use assets shall proceed according to fixed asset cycle related procedure of the internal control system.	
Article 8	Operating procedure governing the acquisition and disposal of securities 1.Evaluation Procedure (a) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. (b) If the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	Operating procedure governing the acquisition and disposal of securities 1.Evaluation Procedure (a) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. (b) If the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	Cooperate with the revision of the law, the actual operation of the company and the original Article 16 changes, as appropriate for text modification

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	This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission. (c) For acquiring or disposing of the securities traded on the exchanged or OTC market, the price shall be decided by the current price of the stock or bond. (d) For acquiring or disposing of the securities note traded on the exchanged or OTC market, it is required to submit the reference or calculation basis of the transaction price and transaction terms to the Board of Directors for approval and further handling. 2.Operational procedure (a) Each organizer is in charge of valuation, trading, delivery, and tabulation (listing). (b) Custody: All securities obtained by the Company shall be submitted to the finance department for custody or stored in safe deposit boxes. (c) Evaluation: In accordance with the provisions of the relevant Accounting Standards, the finance department shall collect relevant data, which shall be submitted to the accountants for regular follow-up and evaluation. 3.Decision Procedure of Transaction Conditions and Authorization Amount (a) For the government bonds, corporate bonds, financial bonds, securities representing interest in a fund, and asset-backed securities set forth under Section 1 Article 3 of this Procedure, if the transaction amount does not	This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission. (c) For acquiring or disposing of the securities traded on the exchanged or OTC market, the price shall be decided by the current price of the stock or bond. (d) For acquiring or disposing of the securities note traded on the exchanged or OTC market, it is required to submit the reference or calculation basis of the transaction price and transaction terms to the Board of Directors for approval and further handling. 2.Operational procedure (a) Each organizer is in charge of valuation, trading, delivery, and tabulation (listing). (b) Custody: All securities obtained by the Company shall be submitted to the finance department for custody or stored in safe deposit boxes. (c) Evaluation: In accordance with the provisions of the relevant Accounting Standards, the finance department shall collect relevant data, which shall be submitted to the accountants for regular follow-up and evaluation. 3.Decision Procedure of Transaction Conditions and Authorization Amount (a) For the government bonds, corporate bonds, financial bonds, securities representing interest in a fund, and asset-backed securities set forth under Section 1 Article 3 of this Procedure, if the transaction amount does not	

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	reach (including) 20% of the paid-in capital, it is authorized to be decided and executed by the highest financial officer. If the transaction amount reaches more than 20% of the paid-in capital of the company, it shall be agreed by more than 1/2 of the members of the Audit Committees and be approved in advance by the board of directors before conducting such transaction, and it shall apply to the rules set forth under Section 2 and Section 3 of Article 16. (b) For the stocks, depository receipts, call (put) warrants, beneficial interest securities, set forth under Section 1 Article 3 of this Procedure, if the transaction amount does not reach (including) 5% of the paid-in capital, it is authorized to be decided and executed by each responsible unit. If the transaction amount reaches more than 5% of the paid-in capital of the company, it shall be agreed by more than 1/2 of the members of the Audit Committees and be approved in advance by the board of directors before conducting such transaction, and it shall apply to the rules set forth under Section 2 and Section 3 of Article 16. 4. Trading Process The trading process of Procedure for Acquisition or Disposal of Securities shall be in accordance with Investment cycle rules of internal control system.	reach (including) 20% of the paid-in capital, it is authorized to be decided and executed by the highest financial officer. If the transaction amount reaches more than 20% of the paid-in capital of the company, it shall be agreed by more than 1/2 of the members of the Audit Committees and be approved in advance by the board of directors before conducting such transaction, and it shall apply to the rules set forth under Section 2 and Section 3 of Article 17. (b) For the stocks, depository receipts, call (put) warrants, beneficial interest securities, set forth under Section 1 Article 3 of this Procedure, if the transaction amount does not reach (including) 5% of the paid-in capital, it is authorized to be decided and executed by each responsible unit. If the transaction amount reaches more than 5% of the paid-in capital of the company, it shall be agreed by more than 1/2 of the members of the Audit Committees and be approved in advance by the board of directors before conducting such transaction, and it shall apply to the rules set forth under Section 2 and Section 3 of Article 17. 4. Trading Process The trading process of Procedure for Acquisition or Disposal of Securities shall be in accordance with Investment cycle rules of internal control system.	

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Article 9	Operating procedure governing the acquisition and disposal of intangible assets For evaluation of the acquisition and disposal of intangible assets of the Company, the proposed department shall proceed with feasibility evaluation report and to submit and report to the intellectual property department. 1. Operational Procedure The acquisition or disposal of intangible assets, in case the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transacting with the competent authority, the Company shall also engage a certified public accountant to render an opinion on the reasonableness of the transaction price prior to the date of occurrence; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. 2. The determination procedure of transaction term and the amount of authority delegated (a) The means of price determination and supporting reference materials The requesting department shall submit and report the market transaction price of the intangible assets of the same kind and may request the professional appraisal institution to provide with report. (b) Authorization Level For the transaction amount does not reach (including) NT\$300 million, it is authorized to be decided and executed by the responsible unit; For the transaction amount reached more than NT\$ 300 million, it shall be agreed by more than 1/2 of the Audit Committees and be	Operating procedure governing the acquisition and disposal of intangible assets or right-of-use assets For evaluation of the acquisition and disposal of intangible assets or right-of-use assets of the Company, the proposed department shall proceed with feasibility evaluation report and to submit and report to the intellectual property department. 1. Operational Procedure The acquisition or disposal of intangible assets or right-of-use assets, in case the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, the company unless transacting with a domestic government agency, shall also engage a certified public accountant to render an opinion on the reasonableness of the transaction price prior to the date of occurrence; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. 2. The determination procedure of transaction term and the amount of authority delegated (a) The means of price determination and supporting reference materials The requesting department shall submit and report the market transaction price of the intangible assets or right-of-use assets of the same kind and may request the professional appraisal institution to provide with report. (b) Authorization Level For the transaction amount does not reach (including) NT\$300 million, it is authorized to be decided and executed by the responsible unit; For the transaction	Coordinate with the amendment of the Act and the original Article 16 changes, as appropriate for text modification

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	approved in advance by the board of directors before conducting such transaction, and it shall apply to the rules set forth under Section 2 and Section 3 of Article 16. 3.Trading Process The trading process of Procedures for Acquisition or Disposal of Real Estate or Equipment shall be in accordance with procedure for Acquisition or Disposal of Intangible Assets cycle rules of internal control system.	amount reached more than NT\$ 300 million, it shall be agreed by more than 1/2 of the Audit Committees and be approved in advance by the board of directors before conducting such transaction, and it shall apply to the rules set forth under Section 2 and Section 3 of Article 17 3.Trading Process The acquisition or disposal of intangible assets or right-of-use assets shall be in accordance with procedure for Acquisition or Disposal of Intangible Assets cycle rules of internal control system.	
Article 10	Related party transaction 1.Regarding the Company's acquisition or disposition of the assets with the related party, other than handling according to the procedure in relation to real estates prescribed under Article 7, it is also required to follow the related decision making procedure and transaction reasonableness evaluation process set forth below. For transaction amount reaching 10 percent of the total assets of the Company, it is required to obtain appraisal report issued by the professional appraiser or CPA's opinion according to Article 7, Article 8, and Article 9 hereof. For the calculation of 10 percent of total assets under the preceding Section, the total assets stated in the most recent parent company only financial report or individual financial report of the Company shall be used. In addition, when judging whether the transaction counterparty is a related party, other than taking notice to its legal forms, the actual relationship shall also be included into consideration.	Related party transaction 1.Regarding the Company's acquisition or disposition of the assets with the related party, other than handling according to the procedure in relation to real estates prescribed under Article 7, Article 8, Article 9 and this article hereof it is also required to follow the related decision making procedure and transaction reasonableness evaluation process set forth below. For transaction amount reaching 10 percent of the total assets of the Company, it is required to obtain appraisal report issued by the professional appraiser or CPA's opinion according to Article 7, Article 8, and Article 9 hereof. When judging whether the transaction counterparty is a related party, other than taking notice to its legal forms, the actual relationship shall also be included into consideration. 2. Evaluation and operation procedure When the Company intends to acquire or dispose of real property or right-of-use assets. from or to a related party, or when it intends to acquire or	Cooperate with the revision of the law, the actual operation of the company and the original Article 16 changes, as appropriate for text modification The second item of the first item was moved to Article 15 (new)

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	2. Evaluation and operation procedure When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by a SITE, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been agreed by more than 1/2 of the members of the Audit Committees and approved by the board of directors, and it shall apply to the rules set forth under Section 2 and Section 3 of Article 16: (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. (2) The reason for choosing the related party as a trading counterparty. (3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms under Subsection (1) and (4), Section 3 of this Article. (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.	dispose of assets other than real property or right-of-use assets from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by a SITE, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been agreed by more than 1/2 of the members of the Audit Committees and approved by the board of directors, and it shall apply to the rules set forth under Section 2 and Section 3 of Article 17: (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. (2) The reason for choosing the related party as a trading counterparty. (3) With respect to the acquisition of real property or right-of-use assets. from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms under Subsection (1) and (4), Section 3 of this Article. (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party. (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and	

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	(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization. (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article. (7) Restrictive covenants and other important stipulations associated with the transaction. The board of directors shall take into full consideration each independent director's opinions during the above discussion. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. 3. The appraisal of the reasonableness of the transaction cost (a) When the Company acquires real estate from related parties it shall appraise the reasonableness of the transaction cost in accordance with the following procedures: (1) It is based on the trading price of the related party plus necessary interests of the capital and necessary costs on the buyer. The so-called necessary interests of capital are calculated based on weighted average interests of annual loans for purchasing the Company's assets, but it cannot be higher than the highest lending rate of non-financial industry issued by Ministry of Finance.	evaluation of the necessity of the transaction, and reasonableness of the funds utilization. (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article. (7) Restrictive covenants and other important stipulations associated with the transaction. The board of directors shall take into full consideration each independent director's opinions during the above discussion. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. 3. The Company intends to acquire or dispose of real property or right-of-use assets. from or to a related party, appraisal of the reasonableness of the transaction cost (a) When the Company acquires real estate or right-of-use assets. from related parties it shall appraise the reasonableness of the transaction cost in accordance with the following procedures: (1) It is based on the trading price of the related party plus necessary interests of the capital and necessary costs on the buyer. The so-called necessary interests of capital are calculated based on weighted average interests of annual loans for purchasing the Company's assets, but it cannot be higher than the highest lending rate of non-financial industry issued by Ministry of Finance.	

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	(2) If the related party once made any loan through pledging this object to a financial institution, and the financial institution has appraised the total value of this object for loan granting, the value can be recognized as long as the actual loan has exceeded 70% of the total loan value of this object and the loan period has exceeded 1 year. However, this is not applicable if the financial institution is related to one of the transaction parties. (b) When jointly purchasing land and houses placed thereon, one of the methods mentioned above shall be adopted to appraise the transaction cost respectively for the land and the houses. (c) In the case that the real estate is acquired from a related party, the cost shall be appraised in accordance with Sections 3(a) and 3(b) of this Article and accountants shall be invited to review and issue specific opinions. (d) When the appraised values of real estate acquired by the Company from the related party according Sections 3(a) and 3(b) of this Article are all relatively lower, it shall be handled according to Section 3(e) of this Article. Subject to the following situations and combined with objective evidence and reasonable opinions obtained from professional appraisers of real estate and accountants, the limit herein will be excluded: (1) In the case that the related party obtains undeveloped land or leases the land for	(2) If the related party once made any loan through pledging this object to a financial institution, and the financial institution has appraised the total value of this object for loan granting, the value can be recognized as long as the actual loan has exceeded 70% of the total loan value of this object and the loan period has exceeded 1 year. However, this is not applicable if the financial institution is related to one of the transaction parties. (b) When jointly purchasing or lease land and houses placed thereon, one of the methods mentioned above shall be adopted to appraise the transaction cost respectively for the land and the houses. (c) The Company intends to acquire or dispose of real property or right-of-use assets from or to a related party, the cost shall be appraised in accordance with Sections 3(a) and 3(b) of this Article and accountants shall be invited to review and issue specific opinions. (d) When the appraised values of real estate or right-of-use assets acquired by the Company from the related party according Sections 3(a) and 3(b) of this Article are all relatively lower, it shall be handled according to Section 3(e) of this Article. Subject to the following situations and combined with objective evidence and reasonable opinions obtained from professional appraisers of real estate and accountants, the limit herein will be excluded:	

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	construction, the evidences put forward by the related party shall be in accordance with one of the following requirements: (i) The undeveloped land was appraised according to the provisions of the preceding Article, but the buildings have been appraised based on the related party's construction costs plus reasonable construction profit and in combination with the land, the total exceeds the actual transaction price. The referred to reasonable construction profit shall be calculated based on the average operating margin of the construction sector of the related party in last three years or the latest average operating margin issued by the Ministry of Finance, whichever is lower. (ii) There are cases of completed transactions by unrelated parties within the preceding year involving other floors of the same property or property in an adjacent area in which the properties are similar in area and the terms of the transactions in those cases are found to be similar after assessment of reasonable discrepancies in the prices of different floors or districts in accordance with standard property market practices.	(1) In the case that the related party obtains undeveloped land or leases the land for construction, the evidences put forward by the related party shall be in accordance with one of the following requirements: (i) The undeveloped land was appraised according to the provisions of the related party according Sections 3(a) and 3(b) of this Article, but the buildings have been appraised based on the related party's construction costs plus reasonable construction profit and in combination with the land, the total exceeds the actual transaction price. The referred to reasonable construction profit shall be calculated based on the average operating margin of the construction sector of the related party in last three years or the latest average operating margin issued by the Ministry of Finance, whichever is lower. (ii) There are cases of completed transactions by unrelated parties within the preceding year involving other floors of the same property or property in an adjacent area in which the properties are similar in area and the terms of the transactions in those cases are found to be similar after assessment of reasonable discrepancies in the prices of different floors or districts in accordance with standard property market practices.	

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	(iii) There are cases of leasing transactions completed by unrelated parties for other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices. (2) If the Company can prove that the transaction conditions are similar to those of other transaction cases of similar areas in the vicinity between other parties when the Company purchased real estate from the related party. The above-mentioned nearby transactions refer to those which are on the same street or nearby streets within the distance of 500 meters of the target transaction or with similar current value as reported; the similar area acreage refers to that its acreage shall not be less than 50% of the target transaction in area; the above mentioned “within one year” shall start from the transaction date to trace back to one year. (e) When the appraised values of real estate acquired by the Company from related parties according to Sections 3(a) and 3(b) of this Article is lower than the transaction price, the situation shall be handled in following manner. Moreover, if the Company uses the equity method to account for its investment in another company and sets aside a special reserve according to	(2) If the Company can prove that the transaction conditions are similar to those of other transaction cases of similar areas in the vicinity between other parties when the Company purchased real estate or right-of-use assets from the related party. The above-mentioned nearby transactions refer to those which are on the same street or nearby streets within the distance of 500 meters of the target transaction or with similar current value as reported; the similar area acreage refers to that its acreage shall not be less than 50% of the target transaction in area; the above mentioned “within one year” shall start from the transaction date to trace back to one year. (e) When the appraised values of real estate acquired or right-of-use assets by the Company from related parties according to Sections 3(a) and 3(b) of this Article is lower than the transaction price, the situation shall be handled in following manner: (1) In accordance with the provisions of Clause 1 of Article 41 of the Securities and Exchange Act, a special reserve shall be set aside based on the difference between the transaction price and the appraised cost, which may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called	

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	the above provision, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence to confirm there was nothing unreasonable in the transaction, and the Financial Supervisory Commission of the Executive Yuan has given its consent. (1) In accordance with the provisions of Clause 1 of Article 41 of the Securities and Exchange Act, a special reserve shall be set aside based on the difference between the transaction price and the appraised cost, which may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. (2) The independent directors shall handle according Article 218 of the Company Act. (3) Actions taken pursuant to Point 1 and Point 2 of Clause 5, Section 3 of this Article shall be reported to a shareholders meeting, and the details of the transaction shall be	for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. (2) The independent directors shall handle according Article 218 of the Company Act. (3) Actions taken pursuant to Point 1 and Point 2 of Clause 5, Section 3 of this Article shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. The Company has set aside a special reserve under the preceding paragraph and may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or rented at a premium, or have been disposed of or whose lease contracts have been terminated, or adequate compensation has been made, or whose status has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. (f) If there is any evidence showing that the Company's acquisition of real property or right-of-use assets from the related party does not conform to the regular business practice, it shall be handled according to (e) of Section 3 of this Article.	

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	disclosed in the annual report and any investment prospectus. (f) Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Section 1 and Section 2 of this Article in relation to evaluation and operation procedure and (a), (b), (c) of Section 3 of this Article in relation to appraisal of the reasonableness of the transaction cost do not apply: (1) The related party acquired the real property through inheritance or as a gift. (2) More than five years will have elapsed from the time the related party signed the contract to obtain the real estate to the signing date for the current transaction. (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. (g) If there is any evidence showing that the Company's acquisition of real property from the related party does not conform to the regular business practice, it shall be handled according to (e) of Section 3 of this Article. 4. With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may delegate the board chairman to decide such matters within the amount of NT\$600 million and have the decisions subsequently	(g) Where the Company acquires real property or right-of-use assets from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Section 2 and Section 4 of this Article in relation to evaluation and operation procedure and (a), (b), (c) of Section 3 of this Article in relation to appraisal of the reasonableness of the transaction cost do not apply: (1) The related party acquired the real property or right-of-use assets through inheritance or as a gift. (2) More than five years will have elapsed from the time the related party signed the contract to obtain the real estate or right-of-use assets to the signing date for the current transaction. (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. (4) The acquisition or disposal of operation-purpose real estate right-of-use assets among the Company and its subsidiaries and subsidiaries in which the Company directly or indirectly holds one hundred percent (100%) of the issued shares or authorized capital. 4. The Board of Directors may delegate the Chairman to decide such matters when the following transactions among the Company and its subsidiaries and subsidiaries in which the	

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	submitted to and ratified by the next board of directors meeting.	Company directly or indirectly holds 100% of the issued shares or authorized capital are within NT\$600 million and have the decisions subsequently submitted to and ratified at the next board meeting : (a) Obtain or dispose of equipment for business use or its right to use assets. (b) Obtain or dispose of the real estate use right assets for business use.	
Article 13	Procedure of Public Disclosure of Information 1. Deadline for Public Announcement and Report Announcement and Report The Company acquiring or disposing of assets which reaches the items to be announced or transaction amount standards prescribed under Section 2 of this Article shall publicly announce and report the relevant information on the FSC's designated website within 2 days commencing immediately from the date of occurrence of the event. 2. The Items and Standards Required for Public Announcement and Report (a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase, resale agreements, or subscription or repurchase of domestic money market funds issued by SITE.	Procedure of Public Disclosure of Information 1. Deadline for Public Announcement and Report Announcement and Report The Company acquiring or disposing of assets which reaches the items to be announced or transaction amount standards prescribed under Section 2 of this Article shall publicly announce and report the relevant information on the FSC's designated website within 2 days commencing immediately from the date of occurrence of the event. 2. The Items and Standards Required for Public Announcement and Report (a) Acquisition or disposal of real property or right-of-use assets from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase, resale agreements, or subscription or repurchase of domestic money market funds issued by SITE.	Amended with the provisions of the law

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	(b) Merger, demerger, Acquisitions or Shares Transfer (c) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. (d) Acquisition or disposal of such assets as equipment for business which does not involve the related party and the transaction amount of which reach to above NTD 1000 million. (e) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million. (f) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: (1) Trading of government Bonds (2) Trading of bonds under repurchase/resale agreements, or subscription or repurchase of domestic money market funds issued	(b) Merger, demerger, Acquisitions or Shares Transfer (c) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. (d) Acquisition or disposal of such assets as equipment or right-of-use assets for business which does not involve the related party and the transaction amount of which reach to above NTD 1000 million. (e) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the transaction object is not a related person and the amount the company expects to invest in the transaction reaches NT\$500 million. (f) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: (1) Trading of domestic government Bonds (2) Trading of bonds under repurchase/resale agreements, or subscription or repurchase of domestic money market funds issued	

Article No.	The current Article	The Amended Article	Reasons for Amendment
	by SITE. (g)The transaction amount prescribed shall be calculated as below. Also, "within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. (1) The amount of any individual transaction. (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. (3)The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. (4)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. (h)The transaction amount set forth in Article 7, Article 8, and Article 9 shall be calculated and handled under the preceding Paragraph. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items which obtained appraisal report issued by the professional appraiser or CPA's opinion according to the Operational Procedure need not be counted	by SITE. (g)The transaction amount prescribed shall be calculated as below. Also, "within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. (1) The amount of any individual transaction. (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. (3)The cumulative transaction amount of real property or right-of-use assets acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. (4)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. (h)The transaction amount set forth in Article 7, Article 8, Article 9 and Article 10 of this procedure shall be calculated and handled under the preceding Paragraph. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items which obtained appraisal report issued by the professional appraiser or CPA's opinion according to the Operational	

Article No.	The current Article	The Amended Article	Reasons for Amendment
	toward the transaction amount 3. Procedures for Announcement (a)The Company shall report related information to the designated website by FSC for announcement. (b)The Company shall report information relating to the prior month's transactions in derivatives of the Company and subsidiaries to the designated website by FSC for announcement before the 10th of every month. (c)The Company shall report all items according to regulations, and if there are errors or omissions, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission. (d)The Company shall keep related contracts, records, memorandums, appraisal reports, opinions from accountants, lawyers or securities underwriters with the Company for at least five years, unless otherwise provided for by related regulations. (e)In case of one of following situations, after the Company announces transactions according to the provisions of the former Article, the Company shall report related information to the website designated by FSC for announcement within 2 days of the transaction date: (1)Change, termination or rescission of contracts related to the original transaction (2)The merger, division, acquisition or share transfer is not completed within the scheduled time.	Procedure need not be counted toward the transaction amount 3. Procedures for Announcement (a)The Company shall report related information to the designated website by FSC for announcement. (b)The Company shall report information relating to the prior month's transactions in derivatives of the Company and subsidiaries to the designated website by FSC for announcement before the 10th of every month. (c)The Company shall report all items according to regulations, and if there are errors or omissions, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission. (d)The Company shall keep related contracts, records, memorandums, appraisal reports, opinions from accountants, lawyers or securities underwriters with the Company for at least five years, unless otherwise provided for by related regulations. (e)In case of one of following situations, after the Company announces transactions according to the provisions of the former Article, the Company shall report related information to the website designated by FSC for announcement within 2 days of the transaction date: (1)Change, termination or rescission of contracts related to the original transaction (2)The merger, division, acquisition or share transfer is not completed within the	

Article No.	The current Article	The Amended Article	Reasons for Amendment
	(3) Any changes to the original announcement.	scheduled time. (3) Any changes to the original announcement.	
Article 14	Subsidiaries of the Company shall behave according to following regulations: 1.The Company shall see to it that its subsidiaries adopt the “Operational Procedures for the Acquisition or Disposal of Assets” in compliance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and shall comply with such procedure. 2. For a subsidiary does not belong to public offering company, if the acquisition or disposition of asset shall be announced and reported pursuant to ”Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the Company will announce and report for the subsidiary 3.The so called “reach 20% of the paid-in capital or 10% of the total asset of the company” of the announcement and report standard of the subsidiary shall be the same as our company’s paid-in capital.	Subsidiaries of the Company shall behave according to following regulations: 1.The Company shall see to it that its subsidiaries adopt the “Operational Procedures for the Acquisition or Disposal of Assets” in compliance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and shall comply with such procedure. 2.For a subsidiary does not belong to public offering company, if the acquisition or disposition of asset of the provisions of the Article 13 shall be announced and reported , the Company will announce and report for the subsidiary 3.The paid-in capital and total assets in the announce and report standards, as prescribed in Article 13 of this procedure, of subsidiary companies mentioned in the preceding paragraph shall subject to the paid-in capital and total assets of the Company.	Amended with the provisions of the law
Article 15	For the calculation of 10 percent of total assets under the preceding Section, the total assets stated in the most recent parent company only financial report or individual financial report of the Company shall be used.	For the calculation of 10 percent of total assets under these regulations, the total assets stated in the most recent parent company only financial report or individual financial report of the Company shall be used.	New added (Original Article 10, Item 1, Item 2, and subject to text modification)
Article 16	Penalty Any employee who undertakes responsibilities for acquisition or disposal of assets in violation of these procedures will be reported for assessment according to the Company’s personnel management and employee handbook, and he/she will be subject to penalty accordingly.	Penalty Any employee who undertakes responsibilities for acquisition or disposal of assets in violation of these procedures will be reported for assessment according to the Company’s personnel management and employee handbook, and he/she will be subject to penalty accordingly.	Change Article

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 17	Implementation and Revision The Procedures shall be agreed by more than 1/2 of all members of the audit committee and to be approved by the board of directors, and then shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended. If the Procedure has not be agreed by more than 1/2 of all members of the audit committee pursuant to Section 1, it may also be agreed by more than 2/3 of all the board of directors and the resolution of the audit committee shall be recorded in the meeting minutes of the board of directors. The entire members of the audit committee and entire board of directors as used in the previous paragraph shall be calculated as the number of members and directors actually in office. During the discussion of the board of directors, it shall take into full consideration each independent director's opinions, if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.	Implementation and Revision The Procedures shall be agreed by more than 1/2 of all members of the audit committee and to be approved by the board of directors, and then shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended. If the Procedure has not be agreed by more than 1/2 of all members of the audit committee pursuant to Section 1, it may also be agreed by more than 2/3 of all the board of directors and the resolution of the audit committee shall be recorded in the meeting minutes of the board of directors. The entire members of the audit committee and entire board of directors as used in the previous paragraph shall be calculated as the number of members and directors actually in office. During the discussion of the board of directors, it shall take into full consideration each independent director's opinions, if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.	Change Article
Article 18	Supplementary Articles Any matters that are not contained in these procedures shall be handled according to related regulations and laws, as well as regulations of the Company.	Supplementary Articles Any matters that are not contained in these procedures shall be handled according to related regulations and laws, as well as regulations of the Company.	Change Article

**Comparative table for Amendments to
The Operating Procedure Governing Loaning of Funds of the Company**

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 3	Borrower Under Article 15 of Company Act, the Company shall not loan its funds to any shareholders or any other person except in the following circumstances: 1. Where a company or firm has business transaction with the Company. 2. Where a company or firm has necessary short-term financing need, and are limited to the following circumstances: (1) Where a company which shares is held directly or indirectly by the Company for over 50% has necessary need for short-term financing facility due to business purpose. (2) Other company or firm has necessary need for short-term financing facility in purchasing materials or operating turnover. (3) Other loaning of funds approved by the Board of Directors of the Company. The above short-term financing shall not exceed 40 percent of the lender's net worth. The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle (the longer one shall prevail). The restriction of 40% of net worth shall not apply to inter-company loans of funds between foreign companies in which the public company holds, directly or indirectly, 100% of the voting shares. However, the above loans shall not exceed net worth of the Company and the financing duration shall not apply to one year	Borrower Under Article 15 of Company Act, the Company shall not loan its funds to any shareholders or any other person except in the following circumstances: 1. Where a company or firm has business transaction with the Company. 2. Where a company or firm has necessary short-term financing need, and are limited to the following circumstances: (1) Where a company which shares is held directly or indirectly by the Company for over 50% has necessary need for short-term financing facility due to business purpose. (2) Other company or firm has necessary need for short-term financing facility in purchasing materials or operating turnover. (3) Other loaning of funds approved by the Board of Directors of the Company. The above short-term financing shall not exceed 40 percent of the lender's net worth. The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle (the longer one shall prevail). The restriction of 40% of net worth shall not apply to inter-company loans of funds between overseas companies in which the company holds, directly or indirectly, 100% of the voting shares. However, the above loans shall not exceed net worth of the Company and the financing duration shall not apply to one year	Amended with the provisions of the law

Article No.	The current Article	The Amended Article	Reasons for Amendment
	or one operating cycle. However, it shall be limited within 5 years.	or one operating cycle. However, it shall be limited within 5 years.	
Article 15	Information disclosure 1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month. 2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence: (1) The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement. (2) The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement. (3) The amount of new loans of funds by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement. 3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph. 4. "Date of occurrence" in this Operating Procedure shall mean the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.	Information disclosure 1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month. 2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence: (1) The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement. (2) The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement. (3) The amount of new loans of funds by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement. 3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph. 4. "Date of occurrence" in this Operating Procedure shall mean the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.	Amended with the provisions of the law

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 19	The Procedures shall be agreed by more than 1/2 of the entire members of the audit committee and to be approved by the board of directors, and then shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended. If the Procedure has not be agreed by more than 1/2 of all members of the audit committee pursuant to Section 1, it may also be agreed by more than 2/3 of all the board of directors and the resolution of the audit committee shall be recorded in the meeting minutes of the board of directors. The entire members of the audit committee and entire board of directors as used in the previous paragraph shall be calculated as the number of members and directors actually in office. During the discussion of the board of directors, it shall take into full consideration each independent director's opinions, if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. The Operating Procedure Governing Loaning of Funds of the Company's subsidiaries shall be resolved by the board of directors of such subsidiaries; the same applies when the procedures are amended.	The Procedures shall be agreed by more than 1/2 of the entire members of the audit committee and to be approved by the board of directors, and then shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended. If the Procedure has not be agreed by more than 1/2 of all members of the audit committee pursuant to Section 1, it may also be agreed by more than 2/3 of all the board of directors and the resolution of the audit committee shall be recorded in the meeting minutes of the board of directors. The entire members of the audit committee and entire board of directors as used in the previous paragraph shall be calculated as the number of members and directors actually in office. The board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting. The Operating Procedure Governing Loaning of Funds of the Company's subsidiaries shall be resolved by the board of directors of such subsidiaries; the same applies when the procedures are amended.	Amended with the provisions of the law

**Comparative table for Amendments to
The Operating Procedure Governing Endorsement and Guarantee of the Company**

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 10	Information disclosure 1.The Company shall announce and report the previous month's balance of endorsements / guarantees of itself and its subsidiaries by the 10th day of each month. 2. The Company whose endorsements/guarantees reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence: (1)The aggregate balance of endorsements/guarantees by Company and its subsidiaries reaches 50 percent or more of Company's net worth as stated in its latest financial statement. (2)The balance of endorsements/guarantees by Company and its subsidiaries for a single enterprise reaches 20 percent or more of Company's net worth as stated in its latest financial statement. (3)The balance of endorsements / guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.	Information disclosure 1.The Company shall announce and report the previous month's balance of endorsements / guarantees of itself and its subsidiaries by the 10th day of each month. 2. The Company whose endorsements/guarantees reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence: (1)The aggregate balance of endorsements/guarantees by Company and its subsidiaries reaches 50 percent or more of Company's net worth as stated in its latest financial statement. (2)The balance of endorsements/guarantees by Company and its subsidiaries for a single enterprise reaches 20 percent or more of Company's net worth as stated in its latest financial statement. (3)The balance of endorsements / guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.	Amended with the provisions of the law

Article No.	The current Article	The Amended Article	Reasons for Amendment
	(4) The amount of new endorsements/guarantees made by Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of Company's net worth as stated in its latest financial statement. 3. Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph. 4. "Date of occurrence" in this Procedure shall mean the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.	(4) The amount of new endorsements/guarantees made by Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of Company's net worth as stated in its latest financial statement. 3. Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph. 4. "Date of occurrence" in this Procedure shall mean the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.	
Article 14	Enforcement and amendment The Procedures shall be agreed by more than 1/2 of the entire members of the audit committee and to be approved by the board of directors, and then shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended. If the Procedure has not be agreed by more than 1/2 of all members of the audit committee pursuant to Section 1, it may also be agreed by more than 2/3 of all the board of directors and the resolution of the audit committee shall be recorded in the meeting minutes of the board of directors. The entire members of the audit committee and entire board of directors as used in the previous paragraph shall be calculated as the number of members and directors actually in office.	Enforcement and amendment The Procedures shall be agreed by more than 1/2 of the entire members of the audit committee and to be approved by the board of directors, and then shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended. If the Procedure has not be agreed by more than 1/2 of all members of the audit committee pursuant to Section 1, it may also be agreed by more than 2/3 of all the board of directors and the resolution of the audit committee shall be recorded in the meeting minutes of the board of directors. The entire members of the audit committee and entire board of directors as used in the previous paragraph shall be calculated as the number of members and directors actually in office.	Amended with the provisions of the law

Article No.	The current Article	The Amended Article	Reasons for Amendment
	During the discussion of the board of directors, it shall take into full consideration of each independent director's opinions, if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. The Operating Procedure Governing Endorsement and Guarantees of the Company's subsidiaries shall be resolved by the board of directors of such subsidiaries; the same applies when the procedures are amended.	The board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting. The Operating Procedure Governing Endorsement and Guarantees of the Company's subsidiaries shall be resolved by the board of directors of such subsidiaries; the same applies when the procedures are amended.	
Article 15	The Operation Procedure is adopted on May 19, 2004. The first amendment was made on June 16, 2006. The second amendment was on June 19, 2009. The third amendment was on June 29, 2010. The fourth amendment was on June 28, 2011. The fifth amendment was on June 19, 2013. The sixth amendment was on June 24, 2016.	The Operation Procedure is adopted on May 19, 2004. The first amendment was made on June 16, 2006. The second amendment was on June 19, 2009. The third amendment was on June 29, 2010. The fourth amendment was on June 28, 2011. The fifth amendment was on June 19, 2013. The sixth amendment was on June 24, 2016. The seventh amendment was on June 20, 2019	1.Adjustment Article 2.explain the amendment history

List of Director Candidates.

Title	Name	Education & Experience	Shareholding (Note)
Director	Jin-Yang Hung	MBA, Columbia University, USA Department of Business Administration, Chairman & CEO, Innolux Corporation Associate Vice President, Foxconn Group President, TCC International Holdings Limited Managing Director, BNP Paribas Asset Management Executive Director, Goldman Sachs Group, Inc	0
Director	Jyh-Chau Wang	M.S., Materials Engineering, National Tsing-Hua University Chairman & CEO, Innolux Corporation Vice President, Chi Mei Optoelectronics Corporation Vice President, Chi Lin Technology Co., Ltd. Deputy Plant Director, Unipac Optoelectronics Corp. Associate Research Fellow, Material Research laboratories, Industrial Technology Research Institute	912,067
Director	Hong Yang Venture Capital Ltd. Co. Representative: Jin-Yang Hung	MBA, Columbia University, USA Department of Business Administration, Chairman & CEO, Innolux Corporation Associate Vice President, Foxconn Group President, TCC International Holdings Limited Managing Director, BNP Paribas Asset Management Executive Director, Goldman Sachs Group, Inc	176,311,219
Director	Hong Yang Venture Capital Ltd. Co. Representative: Jyh-Chau Wang	M.S., Materials Engineering, National Tsing-Hua University Chairman & CEO, Innolux Corporation Vice President, Chi Mei Optoelectronics Corporation Vice President, Chi Lin Technology Co., Ltd. Deputy Plant Director, Unipac Optoelectronics Corp. Associate Research Fellow, Material Research laboratories, Industrial Technology Research Institute	176,311,219
Director	Hong Yang Venture Capital Ltd. Co. Representative: Chin-Lung Ting	M.S., Graduate Institute of Electronics Engineering, National Taiwan University Executive Vice President, Innolux Corporation Vice President, Chi Mei Optoelectronics Corporation Chairman, GIO Optoelectronics Corp. Chairman, Double star Inc. Manager, Unipac Optoelectronics Corp.	176,311,219
Director	Hong Yang Venture Capital Ltd. Co. Representative: Chu-Hsiang Yang	M.S., Chemical Engineering, National Central University President & COO, Innolux Corporation Director, Chi Mei Optoelectronics Corporation Deputy Section Manager, Chunghwa Picture Tubes, Ltd.	176,311,219

Title	Name	Education & Experience	Shareholding (Note)
Independent Director	Chi-Chia Hsieh	Ph. D of Mechanical Engineering, Santa Clara University, USA Chairman, Microelectronics Technology Inc. Independent Director ,Innolux Corporation Director, Advanced Wireless Semiconductor Company Chairman IQE Taiwan Corporation Director, Kopin Corporation, Inc. (USA) Independent director, AcBel Polytech Inc. Director, Bright Led Electronics Corp. Director, Kobrite Taiwan Corporation Director, Bright Crystal Director, KoBrite Corp. Director, Bright Crystal Company Limited(china) Director, Taiwan Cement Corp.	0
Independent Director	Yuk-Lun Yim	Senior high school. Executive Director, S.A.S. Dragon Holding Limited Independent Director, Innolux Corporation Member of Justices, Peace in the Government of the Hong Kong Special Administrative Region Member of Political Consultative Conference Honorary member ,Junior Police Call Committee, Tsuen Wan District. Vice chairman, Hong Kong Electronic Industry Association Permanent Honorary President, Hong Kong Trade Services Council Counselor, Council of Yan Chai Hospital Vice President, First Prime Minister's Association of Yan Chai Hospital Yan Chaishan Yan Xu Yushan Kindergarten Manager Renji Hospital Dong Zhiying Memorial School Honorary member of Junior Police Call Committee, Tsuen Wan District. Chairman of the Tsuen Wan District Civic Education Committee Honorary Advisor of Hong Kong Red Cross Industry and Commerce Association Director of the Hong Kong Peninsula Lions Council	0
Independent Director	Zhen-Wei Wang	Department of Electronic Engineering of National Chiao Tung CEO, Quanta Computer Inc. President, Quanta Computer Inc. Independent Director, Casetek Holdings Limited, Independent Director, Simplo Technology Co., Ltd Independent Director, Phison Electronics Corp. Director, GIVE543 CO., LTD Representative of Director, Industrial Technology Investment Corp. Director, Janus Technologies, Inc. Exyte Group Supervisory Board Director	0

Note : The collective shareholdings were shown as of April 22, 2019, the record date for the 2019 Annual Shareholders' Meeting.

**List of competition restrictions on
Director Candidates proposed to be released**

Title	Name	Released restriction
Director	Hong Yang Venture Capital Ltd. Co.	Chairman of CyberTAN Technology Inc. Director of Foxconn Technology Co., Ltd Chairman of Altus Technology Inc. Chairman, Director and Supervisor of Antai Power Company Chairman, Director and Supervisor of King Giants Precision Ind. Co., Ltd Chairman of Foxsemicon Director of Taiwan Intelligent Fiber Optic Network Co.,Ltd. Director of Fitipower Integrated Technology Inc. Chairman, Director and Supervisor of Jusda Supply Chain Management Company Taiwan Chairman, Director and Supervisor of Socle Technology Corp. Chairman and Director of Taiwan Tiger Tesco Director of Healthconn Corp. Supervisor of FHNet Corp. Chairman, Director and Supervisor of Hon Lin Technology Co., Ltd. Director of Hhent Corp. Director of Vossic Technology Co., Ltd. Director of Ezimage Technology Co., Ltd.
Director	Hong Yang Venture Capital Ltd. Co. Chin-Lung Ting	Chairman of GIO Optoelectronics Corp. Chairman of Double star Inc.
Independent Director	Chi-Chia, Hsieh	Chairman of Microelectronics Technology Inc. Chairman of IQE Taiwan Corporation Independent director of AcBel Polytech Inc. Director of Advanced Wireless Semiconductor Company Director of Bright Led Electronics Corp. Director of Kobrite Taiwan Corporation
Independent Director	Zhen-Wei Wang	Independent Director of Casetek Holdings Limited, Independent Director of Simplo Technology Co.,Ltd Independent Director of Phison Electronics Corp. Director of GIVE543 CO., LTD Director of Janus Technologies,Inc. Exyte Group Supervisory Board Director

Appendix 1

Innolux Corporation Rules of Shareholders' Meeting

- Article 1 In order to establish the good governance system for the shareholders' meeting of the Company, to construct supervision function and intensify management efficiency, to draw up this Rules in accordance with Section 5 of Corporate Governance Best-Practice Principles for Listed and OTC Companies for compliance with.
- Article 2 Except as otherwise provided for in laws or Articles of Incorporation, the meeting rules of shareholders meeting of the Company shall be in accordance with these Rules.
- Article 3 (To convene shareholders meeting and meeting notice)
- A shareholders meeting of the Company shall, unless otherwise provided for in laws and regulations, be convened by the board of directors.
- The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a preferred shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the preferred shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.
- The cause(s) or subject(s) of a meeting of shareholders to be convened shall be indicated in the individual notice; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.
- Matters pertaining to election or discharge of directors, alteration of the Articles of Incorporation, and dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 of the Company Act, Article 26-1 & 43-6 of Securities & Exchange Act hereof shall be itemized in the causes or subjects to be described in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions.
- Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the Company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda.
- In case any proposal submitted by shareholders has any of the circumstances provided in Article 172-2, paragraph 4 of the Company Act, the board of directors may exclude the proposal submitted by a shareholder from the list of proposals to be discussed at a regular meeting of shareholders.
- Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the Company shall give a public notice announcing the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days.
- The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting where at his/her proposal is to be discussed and shall take part in the discussion of such proposal.

- Article 4 (To appoint a proxy to attend a shareholders' meeting and authorization)
 A shareholder may appoint a proxy to attend a shareholders' meeting on his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy.
 A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the company no later than five (5) days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the Company shall prevail; unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.
 After the service of the power of attorney of a proxy to the Company, in case the shareholder intends to attend the shareholders' meeting in person, a proxy rescission notice shall be filed with the Company at least two (2) day prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.
- Article 5 (Principle of convention place and time of shareholders' meeting)
 The place for convention of shareholders' meeting shall be within a county or city where the Company is located, or a place where is convenient for attendance by shareholders and appropriate for convention of shareholders' meeting. The time for commencement of a meeting may not be earlier than 9:00 AM or after 3:00 PM.
- Article 6 (The preparation of Documents)
 This Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
 The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.
 Attending shareholders or the proxy appointed by a shareholder shall submit their attendance cards in substitution for signing of attendance. The number of attending shares shall be calculated based on the attendance cards submitted.
 The Company shall submit to attending shareholders the meeting agenda, annual report, attendance card, comment slip, vote and other meeting materials; if there is an election of directors, shall attach separately ballot.
 The shareholder shall have a register of attendance or other attendance certificate to attend shareholders' meeting; Proxy solicitor of proxy solicitation shall take along identity certificate for checkup. When a juristic person acts as the proxy to attend a shareholders' meeting, it can only appoint one person to attend the meeting.
- Article 7 (Chairperson of Shareholders meeting, person as a guest)
 Where the shareholders' meeting is convened by the board of directors, the Chairperson of the board of directors shall serve as Chairperson of the meeting. Where the Chairperson is on leave or is unable to exercise his/her powers for any cause, the vice chairperson shall act on his behalf. In case there is no vice chairperson, or the vice chairperson is also on leave or absent or unable to exercise his power and authority for any cause, the Chairperson of the board of directors shall designate one of the managing directors, or where there is no managing directors, one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting chairperson of the board of directors.
 Where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the Chairperson of that meeting provided, however, that if there are two or more persons having the convening right, the Chairperson of the meeting shall be elected from among themselves.
 The Company may appoint its attorney, accountant or other related personnel to attend a shareholders' meeting.

- Article 8 (Sound or video recording of Shareholders' meeting procedure)
The Company shall make full sound or video recording of the procedure of the shareholders meeting, which shall be preserved for a minimum period of at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the Company shall keep minutes of the shareholders' meeting involved until the legal proceedings of the foregoing lawsuit have been concluded.
- Article 9 (The calculation of attending shares of shareholders meeting, and the calling for meeting)
Attendance of shareholders meeting shall be calculated based on shares. The number of attending shares shall be calculated based on the attendance cards submitted, and the shares exercised in writing or by way of electronic transmission.
The Chairperson shall immediately announce the opening of the meeting when the starting time for the meeting arrives. However, where fewer than the number of the shareholders representing more than half of issued shares of the Company are in attendance, the Chairperson may announce that the meeting is postponed, and such postponed may not exceed two (2) times, total time for postponement may not exceed one (1) hour. Where the quorum is still not met after two (2) postponements, but shareholders representing more than one-third of issued shares of the Company attend the meeting, tentative resolution may be passed in accordance with Article 175, Paragraph 1 of the Company Act. A notice of such tentative resolution shall be given to each of the shareholders, and reconvene a Shareholders' meeting within one month.
In the event that the number of shareholders representing more than half of issued shares attends before the end of the said meeting, the Chairperson may submit the tentative resolution made for re-voting by the meeting in accordance with Article 174 of the Company Act.
- Article 10 (Discussion of proposals)
Where the shareholders meeting is convened by the board of directors, the agenda shall be set by the board of directors. A meeting shall be preceded in accordance with the determined agenda, which may not be altered except by a resolution of the shareholders meeting.
The preceding paragraph applies on a mutatis mutandis basis where a shareholders meeting is convened by a person other than the board of directors who has right to convene a meeting.
Unless otherwise resolved at the Meeting, the Chairperson cannot announce the adjournment of the meeting before all discussion items (including extempore motions) listed in the agenda are resolved; if the chairperson declares the adjournment of the meeting in a manner in violation of such rules governing the proceedings of meetings, other members of the board of directors shall immediately assist the attending shareholders in accordance with statutory procedures to designate, by a majority of the voting rights represented by the shareholders attending the said meeting, one person as chairperson to continue the proceedings of the meeting. The shareholders cannot designate another person to server as chairperson and continue the meeting in the same or other place after the meeting is adjourned.
The Chairperson shall give full explanations and discussions on proposals and amendments or extempore motions submitted by shareholders, and the Chairperson may announce to end the discussion of any resolution and going into voting if the Chairperson deems it appropriate.
- Article 11 (To make a speech by shareholder)
When a shareholder present at the meeting wishes to speak, a Speech Note shall be filled out with summary of speech, the shareholder's number (or the number of attendance card) and the name of the shareholder. The sequence of speeches by shareholders shall be decided by the Chairperson.
If any shareholder presents at the meeting submits a Speech Note but does not speak, no speech shall be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with contents of a Speech Note, the contents of actual speech shall prevail.
Unless otherwise permitted by the Chairperson, each shareholder shall not speak more than two times for each discussion item, each time not exceeding five (5) minutes. In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the Chairperson may stop the speech of such shareholder.

Unless otherwise permitted by the Chairperson and the shareholder in speaking, no shareholder shall interrupt the speeches of other shareholders; otherwise, the Chairperson may stop such interruption.

If a corporate shareholder designates two or more representatives to attend the meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the Chairperson may respond himself/herself or appoint appropriate person to respond.

Article 12 (Calculation of voting shares, avoidance)

Voting of shareholders meeting shall be calculated on basis of shares.

Resolution of shareholders meeting, the shares held by shareholders having no voting right shall not be counted in the total number of issued shares.

A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the company, shall not vote nor exercise the voting right on behalf of another shareholder.

Shares for which voting right cannot be exercised as provided in the foregoing Paragraph shall not be counted in the number of votes of shareholders present at the meeting.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

Article 13 (Voting of proposals, Voting monitoring and Voting Counting)

Shareholder shall have one voting power in respect of each share in his/her/its possession; but the shares shall have no voting power under limitation or provided for in Article 179, Paragraph 2 of the Company Act.

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

Therefore, the Company will avoid proposing extemporary motion and revision of the original proposal.

Under the foregoing Paragraph, in case a shareholder elects to exercise his/her/its voting power in writing or by way of electronic transmission, his/her/its declaration of intention shall be served to the company no later than two (2) days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail; unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

A shareholder who exercises his/her voting right through written or electronic methods and in case a shareholder attends the shareholders' meeting in person, he/she/it shall, two (2) day prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding Paragraph. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail. In case a shareholder has exercised his/her/its voting power in writing or by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting in his/her/its behalf, then the voting power exercised by the authorized proxy for the said shareholder shall prevail.

Resolutions at a shareholders' meeting shall, unless otherwise provided for in Company Act and Articles of Incorporation of the Company, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares. In the process of resolution, the Chairperson or other person designated by the Chairperson shall announce the total number of voting shares of the attending shareholders for each discussion item.

After such announcement is made, the shareholders will vote for each discussion item and the Company will enter the result of consent, objection, and waiving his/her/its right of the shareholders into the MOPS upon the same day of the convening of the shareholders meeting.

If there is amendment to or substitute for a discussion item, the Chairperson shall decide the sequence of voting for such discussion item, the amendment or substitute. If any one of them has been adopted, the others shall be deemed voted and no further voting is necessary.

The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the Chairperson. The person(s) checking the ballot shall be a shareholder.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 14 The reporting items and non-proposals shall not be put to discussion or resolution.
Article 15 (Election Items)

The election of directors at the shareholders meeting shall be in accordance with the regulations governing the election of directors made by the Company, and shall announce the election results on the spot, including the elected name list of the directors and the elected numbers of votes.

The ballots for the preceding election items shall be sealed and signed by monitoring staff, and shall be kept properly for a minimum period of at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the company shall keep the minutes of the shareholders' meeting involved until the legal proceedings of the foregoing lawsuit have been concluded.

Article 16 (Meeting minutes and signing items)

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairperson of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting may be effected by means of electronic transmission.

With regard to the Company offering its shares to the public, the distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be effected by means of a public notice through entering into MOPS.

The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the company.

Article 17 (To make external announcement)

The number of shares solicited by Proxy Solicitor and the number of shares entitled to Proxy Agent; the Company shall, on the date of shareholders meeting, compile a statistical statement according to the statutory form, and shall make an express disclosure of the same at the site of the shareholders meeting.

If a resolution adopted by shareholders meeting is Material Information provided for in laws & regulations, Taiwan Stock Exchange Corporation, the Company shall within statutory time-limit to inputting the information into MOPS.

Article 18 (To keep order in the Meeting Place)

Administrative staff in charge of organizing the shareholders meeting shall wear identification badges.

The Chairperson may conduct the disciplinary officers or the security guards to assist in keeping order of the meeting place. Such disciplinary officers or the security guards shall wear “Disciplinary Officers” badges or identification cards.

If the meeting place is equipped with amplifier, the Chairperson may restrain shareholder from speaking when he/she make speech by means of other equipment, which is not equipped by the Company.

When a shareholder violates these Rules and disobeys the Chairperson’s correction, interferes with the proceeding of the meeting and disobeys after being prohibited, the Chairperson may direct disciplinary officers or the security guards to take the person away from the meeting place.

Article 19 (Intermission, Continuance of Meeting)

During the meeting, the Chairperson may, at his/her discretion, set time for intermission. In case of incident of force majeure, the Chairperson may decide to temporarily suspend the meeting and announce, depending on the situation, when the meeting will resume.

Before all discussion items (including extempore motions) listed in the agenda are resolved, if the meeting place cannot be continually used, the shareholders meeting may seek for other place to continue the meeting.

In accordance with Article 182 of the Company Act, the shareholders meeting may resolve to postpone the meeting for not more than, or to reconvene the meeting within, five days.

The Chairperson may conduct the disciplinary officers or the security guards to assist in keeping order of the meeting place. Such disciplinary officers or the security guards shall wears badges marked “Disciplinary Officers” for identification purpose.

Article 20 All matters not fully provided for in these Rules shall be in accordance with the provisions of the Company Act and other related laws and regulations.

Article 21 The Rules shall be enforced by resolution of shareholders’ meeting; the same shall apply to any amendment hereto.

Appendix 2

Articles of Incorporation of Innolux Corporation

Chapter I—General Provisions

Article 1 The Company is organized under the provisions of company limited by shares in accordance with the Company Act and is named "群創光電股份有限公司". The English name of the Company is Innolux Corporation.

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

- (1) CC01080 Electronic Parts and Components Manufacturing
- (2) F401010 International Trade
- (3) CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
- (4) CC01090 Batteries Manufacturing
- (5) IG03010 Energy Technical Services
- (6) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
- (7) I501010 Product Designing
- (8) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import

【1. Wireless launch manager. 2. Wireless Transmitter-Receive. 3. Wireless Receiver. 4. Industrial, scientific and medical irradiation machines. 5 other machines can be used for the manufacture of wireless radiant energy.】

- (9) CF01011 Medical Materials and Equipment Manufacturing
 - (10) CB01010 Machinery and Equipment Manufacturing
 - (11) CE01030 Photographic and Optical Equipment Manufacturing
 - (12) CQ01010 Die Manufacturing
 - (13) E603050 Cybernation Equipments Construction
 - (14) E604010 Machinery Installation Construction
 - (15) I301010 Software Design Services
 - (16) C901020 Glass and glass made products manufacturing
 - (17) C801100 Synthetic Resin & Plastic Manufacturing
 - (18) C805070 Strengthened Plastic Products Manufacturing
 - (19) C801990 Other Chemical Materials Manufacturing
 - (20) ZZ99999 The Company may conduct business other than those specified ones, as long as such business is not prohibited or restricted by laws or regulations.
- (No 16 to 20 are limited to done within the Science Park)

【To research, develop, design, manufacture and sell the products as follows:

1. TFT-LCD panel
2. LCD module
3. LTPS TFT-LCD panel and module
4. OLED panel and module
5. Touch panel and its parts
6. LED backlight source
7. Thin Film Solar Cells, module and system
8. Wafers, cells and module of Silicon Wafers Solar Cells
9. Liquid Crystal Display and its system
10. Mobile Display Module
11. Color Filter
12. Low temperature poly-silicon -Si Thin Film Transistors: LTPS TFT LCD
13. Amorphous silicon: a-Si TFT LCD and system
14. TFT liquid crystal module automatic assembly equipment
15. The import and export trade business in relation to the above-mentioned products.】

Article 3 The headquarter of the Company is located in Shinchu Science-based Industrial Park and the Company may establish branch offices within or outside the territory of the Republic of China pursuant to resolution of board of directors' meeting and the approval of the competent authority, if necessary.

Chapter II—Shares

Article 4 The registered capital of the Company shall be one hundred and twenty billion (NT\$120,000,000,000), divided into eleven billion (12,000,000,000) shares (of which five billion to be reserved for the use of employees' share subscription warrants), and may issue special shares, with a par value of ten New Taiwan Dollars, to authorize Board of Directors at their discretion to issue separately ordinary shares or special shares.

Article 4-1 The rights, obligations and other main issue conditions regarding the issued registered Class A convertible special/preferred shares are as follows:

1. The dividend rate is 3.8% per annum which shall be calculated based on the actual issue price and will be distributed in cash once a year, and after the ratification of financial statements by annual shareholders' meeting, the board of directors will set a record date for the distribution of dividend to be entitled in last year. Dividend entitled in issuance year and buyback year shall be calculated and distributed based on the number of actual issue days.
2. In the year that the Company has earned surplus after it makes payment of taxes, makes up losses, and set aside legal profit reserve and special reserve, the Class A shareholders of Class A convertible special shares shall have preferential right to distribution of special/preferred shares' dividends for the remaining sum. In addition to the special/preferred shares' dividends above, the shareholders of special/preferred shares shall not participate in the allocation of other surplus of the Company.
3. In the years that the Company has no surplus earnings or the surplus earnings is not sufficient for distribution of all dividends to Class A special shares, undistributed and insufficient dividends of such year shall be made up preferentially based on compound interest in the following year in which the Company has surplus earnings, together with the dividends of that year. But upon the expiration of issuance period, the accumulated outstanding dividends of special/preferred shares shall be made up at a time on the expiration of issuance period.
4. The issuance period of special/preferred shares is three years, at maturity these special/preferred shares will be redeemed in cash at a time based on issue price plus accumulated outstanding dividends. In case when the expiration date comes the Company is unable to redeem all or partial of special/preferred shares due to objective causes or force majeure, the rights attached to unredeemed special/preferred shares shall be still in accordance with issue conditions of this Issuance Rules until the Company completes all redemption, and the dividends will be calculated upon the original dividend rate during the actual extended period.
5. The shareholders of special/preferred shares may convert their special/preferred shares into ordinary shares with the same number of shares in accordance with "Issuance and Conversion Rules of Class A Registered Convertible Special Shares" determined by the Board of directors at the time of issue. In that current year that special/preferred shares converted, such shareholder shall not be entitled to participate in the allocation of special/preferred shares' dividends.
6. This special/preferred shares' right to allocation of residual assets shall rank before that of ordinary shares, to the extent that dissolution preference shall not exceed the total issuance amount.
7. The shareholders of special/preferred shares are not entitled to vote or to elect directors in a general meeting of shareholders; but such shareholders can be elected as director.

8. When the Company capitalizes its capital reserve derived from cash capital increase of ordinary shares at a premium, the shareholders of special/preferred shares shall not participate in the allocation of such capitalization of capital reserve. But when the Company capitalizes its capital reserve derived from special/preferred shares issued at premium, the shareholders of special/preferred shares may allocate jointly with shareholders of ordinary shares in proportion to their respective shareholding.
9. The board of directors is authorized to determine “Issuance and Conversion Rules of Class A Registered Convertible Special Shares” at the time of actual issuance for governing other related matters.

Article 4-2 For the issuance of employee stock option of the Company at a price less than market price, such issuance shall be in accordance with “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” and shall be adopted by a resolution of shareholders’ meeting

Article 4-3 If the Company transfers the buyback shares to its employees at a price less than average price of actual buyback price, such transfer shall be in accordance with related regulations and shall be adopted by a resolution of its latest shareholders’ meeting.

Article 5 The total amount of investment of the Company shall not be subject to the restrictions of 40% of the amount of its own paid-in capital under Article 13 of the Company Act.

Article 6 The shares of the Company shall be in registered form, serially numbered, shall be affixed with the signatures or personal seals of three or more directors, and shall be duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance thereof. The Company may be exempted from printing any share certificate for the shares issued, but shall appoint a centralized securities custody enterprise/institution to make recordation of the issue of such shares.

Article 7 The shareholder services of the Company shall be coped with in accordance with “Regulations Governing the Administration of Shareholder Services of Public Companies” proclaimed by the competent authority.

Chapter III: Shareholders’ Meeting

Article 8 Shareholders' meeting of the Company shall be of the following two kinds:

1. Regular meeting of shareholders: shall be convened within six months after close of each fiscal Year.
2. Special meeting of shareholders: to be held when necessary.

Article 9 The Chairperson of the Company shall act as the chairperson of the shareholders’ meeting. In case the chairperson of the board of directors is on leave or absent or cannot exercise his/her power and authority for any cause, he/she shall designate one of the directors to act on his/her behalf. In the absence of such a designation by the Chairperson, the directors shall elect from among themselves an acting chairperson of the board of directors.

Article 10 In case a shareholder is unable to attend shareholders’ meeting for any cause, a shareholder may appoint a proxy to attend a shareholders' meeting on his/her/its behalf by executing a power of attorney printed by the company stating therein the scope of power authorized to the proxy.

Unless as prescribed in the Company Act, the rules for the shareholder to appoint a proxy to attend the shareholders' meeting shall be in accordance with “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies”

Article 11 Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Chapter IV: Directors, Audit Committee and Managerial Personnel

Article 12 The Company shall have five to nine directors for a term of three years. The candidates’ nomination system is adopted by the Company, the directors shall be elected by shareholders’ meeting from the roster of candidates, and he/she may be eligible for re-election. The number of directors shall be decided by the board of directors.

In the process of electing directors at a shareholders' meeting, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect.

Article 12-1 Pursuant to Article 14-2 of Securities and Exchange Act, among of the number of directors above, at least three of which shall be independent directors, and not less than one-fifth of the total number of directors. In case a candidates nomination system is adopted, the shareholders' meeting shall elect the directors from among the nominees listed in the roster of director candidates.

Article 13 The board of directors is organized by directors, having their duties and powers as follows:

1. To compile operating plans
2. To submit the surplus earning distribution or loss off-setting proposals
3. To submit capital increase or decrease proposal
4. To compile the important by-laws and organization rules of the Company
5. The appointment or discharge of general manager
6. To approve the execution of the important contracts
7. To check and ratify the purchase and disposal of the important assets of the Company
8. To establish or dissolve branches
9. To compile the budget and final accounting
10. Other authorities under the Company Act or resolutions of shareholders' meeting.

The Company may purchase liability insurance for its directors within the term and the for the compensation liability incurred from and within he/her business scope.

Article 13-1 The remuneration of directors shall be determined by the board of directors according to their participation level and contribution value, and shall compare standard of the same industry. However, in no event shall the total payment per month exceed NT\$ 500,000.

Article 13-2 In calling a meeting of the board of directors, a notice shall be given to each director no later than 7 days prior to the scheduled meeting date in writing, by way of electronic methods or facsimile.

In the case of emergency, the meeting may be convened at any time.

Article 14 The board of directors shall elect a chairperson from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The chairperson represents the Company externally.

Article 14-1 The board of directors may institute a position of vice-chairperson who shall be elected from among the directors by a majority vote at a meeting attended by over two-thirds of the directors.

Article 15 A meeting of board of directors shall, unless otherwise provided for in the Company Act, be convened by the chairperson of the board of directors. Unless otherwise provided for in the Company Act, resolutions of the board of directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

Article 16 The chairperson shall preside the meeting of the board of directors; in case the chairperson of the board of directors is on leave or absent or cannot exercise his/her power and authority for any cause, the chairperson of the board of directors shall designate one of the directors to act on his/her behalf. In the absence of such a designation by the chairperson, the directors shall elect from among themselves an acting chairperson of the board of directors. Each director shall attend the meeting of the board of directors in person, in case a director is unable to attend the meeting of the board of directors for any cause, he/she may appoints another director to attend a meeting of the board of directors in his/her behalf. A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.

A meeting of the board of directors can be held via visual communication network, and then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

- Article 17 The Company establishes audit committee according to Article 14-4 of the Securities and Exchange Act and to shall be composed of the entire number of independent directors.
The duty and power of the audit committee and other rules to be followed shall abide by relevant regulations or rules of the company.
- Article 18 The Company may have managerial personnel, the appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with the provisions of the Company Act.

Chapter V: Accounting

- Article 19 The fiscal year of the Company shall be from January 1 to December 31 every year. At the close of each fiscal year, the Company shall deal with final accounts.
- Article 20 At the close of each fiscal year, the board of directors of the Company shall prepare the following statements and records and forward to general meeting of shareholders according to legal procedure for ratification:
1. The operating report
 2. The financial statements; and
 3. The surplus earning distribution or loss off-setting proposals.
- Article 21 The distribution of employees' compensation shall not be lower than 5% of and the directors' compensation shall not be higher than 0.1% of the current year pre-tax income before deducting the distributable employees' and directors' compensation of the Company. However, the Company's accumulated losses shall have been covered.
- The company shall, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash and have the profit distributable as director's compensation in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.
- The target to be distributed employees' compensation in the form of shares or cash may include employees of subsidiary companies who conform to certain criteria. Relevant regulations shall be authorized to be prescribed by the board of directors.
- Article 21-1 The annual net profits of final accounts of the Company shall make up for loss first, shall secondly appropriate 10% of profit as legal reserve (however, if legal reserve reaches the total capital amount shall not apply), to make an appropriation of another sum as special reserve or make an reversal of special reserve in accordance with laws and regulation, to distribute dividend for special/preferred shares, and to add into the profit not yet distributed before, the allocation proposal shall be prepared by the board of directors and be submitted to and resolved by the shareholders' meeting.
- The Company is an emerging company of growing rapidly, capital intensive business, and is at the stage of stable growth, in order to match up the long-term financial plan of the Company in the future, investment environment and business competition situation, the allocation of dividends shall consider the future capital expenditure budget and capital requirement of the Company, and allocation proposal shall be prepared by the board of director, and then shall be allocated after a resolution adopted by shareholders' meeting. However, for the allocation of shareholders' dividends, the stock dividends shall not exceed two-thirds of distributable dividends in that current year.
- Article 22 The allocation of shareholders' dividends shall be given to shareholders whose name are registered in shareholders' roster within 5 days prior to the record date fixed for distribution of dividends and bonus.

Chapter VI: Supplementary Provisions

- Article 23 Under the business requirement, the Company may handle external guaranty affairs in accordance with Procedures for Endorsements and Guarantees of the Company.
- Article 24 The organization rules of the Company and procedure guidelines of business operation shall be made separately.
- Article 25 In regard to all matters not provided for in this Articles of Incorporation, the Company Act shall govern.

Article 26 This Articles of Incorporation was made by all promoters on November 21, 2002. The first amendment was made on March 21, 2003, the second amendment was made on May 19, 2004, the third amendment was made on December 10, 2004, the fourth amendment was made on June 28, 2005, and the fifth amendment was made June 16, 2006. The sixth amendment was made on June 13, 2007. The seventh amendment was made on June 13, 2008. The eighth amendment was made on June 19, 2009. The ninth amendment was made on January 6, 2010. The tenth amendment was made on June 29, 2010. The eleventh amendment was made on June 28, 2011. The twelfth amendment was made on June 29, 2012. The thirteenth amendment was made on November 14, 2012. The fourteen amendment was made on June 19, 2014. The fifteenth amendment is on June 8, 2015. The sixteenth amendment is on June 24, 2016. The seventeenth amendment is on June 20, 2017. The eighteenth amendment is on June 20, 2018.

Appendix 3

Election Rules of Directors

- Article 1 The election of directors of the Company, unless otherwise provided by the laws or in the Articles of Incorporations, shall in all cases be in conducted in accordance with these Rules.
- Article 2 The election of directors shall adopt a single disclosed cumulative voting method, in the process of electing directors, each share represents a weighted number of voting rights equivalent to the number of directors to be elected; such voting rights may be exercised to collectively elect a single candidate or may be distributed among several candidates. The registration of electors' name may be substituted for the number of attendance card printed on votes.
- Article 3 Upon the beginning of the election, the chairperons shall appoint a number of persons to perform the respective duties of vote monitoring and counting personnel.
- Article 4 The number of directors of the Company shall be in accordance with the number of available seats prescribed in the Articles of Incorporation of the Company. Those candidates with the greatest numbers of ballots representing voting rights shall be elected as directors in order of number of ballots received. In case two or more persons have received the same number of voting right, and the number of persons would exceed the prescribed number of available seats, the persons with the same number of voting rights shall draw lots to decide election; the Chairman shall draw lots on behalf of any selected person who are not present.
- Article 5 The directors' election of the Company shall conduct according to the candidates' nomination system and procedure pursuant to Article 192-1 of the Company Act.
- Article 6 Non-independent and independent directors shall be elected at the same time, but in separately calculated numbers of independent director, non-independent director and candidate to whom the ballots cast represent a prevailing number of votes shall be in respectively elected in order.
- Article 7 The board of directors shall prepare and distribute separate ballots according to the attendance card number; one person shall have one vote, the ballots shall be distributed in numbers corresponding to person to be elected. The number of voting rights of each shareholder shall be specified on each ballot.
- Article 8 If the electee is shareholder, the elector shall explicitly specify the selected person's name on the column of "Electee" of the ballot, the shareholder account number; If not a shareholder, he or she shall explicitly specify the selected person's name and the ID certificate number.
But if a government or a juristic person shareholder is a candidate to be elected, it is required to write the name of the government or juristic person on the account name of the candidate to be elected on the ballot or may also fill in the name of its representative on behalf of the government or juristic person; if there are numerous representatives, it is required to respectively fill in the names of the representatives.
- Article 9 A ballot is invalid under any of the following circumstances:
(1) The ballot was not prepared according to the rules under Article 7.
(2) A ballot is not placed in the ballot box.
(3) A blank ballot not filled in by the voter.
(4) The candidate was filled in for more than two people.
(5) The writing is unclear and indecipherable.
(6) Other words or marks are entered in addition to the candidate's account name (name) and shareholder account number (or identity card number).
(7) The account name (name) of the candidate entered in the ballot is identical to that of another shareholder account name (name), but no shareholder account number (identity card number) is provided in the ballot to identify such individual.
(8) The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register; the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
- Article 10 The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation shall be announced by the chairperons on the site.

- Article 11 Each director-elect will be awarded respectively election notice by Board of Directors.
- Article 12 These Rules and any amendments hereto shall be implemented after approval by a shareholders meeting.
- Article 13 These Rules was made on May 19, 2004. The first amendment was made on June 13, 2007. The second amendment was made on June 29, 2012. The third amendment was made on June 8, 2015. The fourth amendment wad made on June 24, 2016.

Appendix 4

Innolux Corporation Shareholding Table of All Directors

1. Details of the minimum shareholding requirements of all directors:

The minimum shareholding requirements of all directors, and shareholdings recorded on shareholders register by April 22, 2019

Unit: Per share

Title	Requisite Number of Shares Held	Number of Shares Recorded in Shareholders Register	Shareholding Ratio
Director	159,233,151	215,114,162	2.16

2. Shareholding of All Directors:

Record Date: April 22, 2019

Unit: Per share

Title	Name	Number of Shares Recorded in Shareholders Register	Shareholding Ratio
Chairman	Jia Lian Investment Ltd. Co., Representative: Jin-Yang Hung	10,672,661	0.11
Vice Chairman	I-Chen Investment Ltd. Representative: Chih-Hung, Shiao	27,535,972	0.28
Director	Hong Yang Venture Capital Ltd. Co., Representative: Te-Tsai Huang	176,311,219	1.77
Director	Innolux Education Foundation Representative: Chin-Lung Ting	594,310	0.01
Independent Director	Chi Chia Hsieh	—	—
Independent Director	Bo-Bo Wnag	—	—
Independent Director	Stanley Yuk Lun Yim	—	—

Appendix 5

Impact of instant gratuitous allocation of shares on the operating performance and earnings per share and return rate of the shareholders of the Company:

The Company will not allocate gratuitous shares in the current year. Therefore this section does not apply.