

# INNOLUX CORPORATION

## Minutes of 2020 Annual General Shareholders Meeting

Time & Date : 9:00 a.m. on June 19 2020

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)

Total shares represented by shareholders present in person or by proxy: 5,458,958,403 shares (Including 3,314,279,910 shares casted electronically), Percentage of shares held by shareholders present in person or by proxy: 56.68%

Attendees: Jin-Yang Hung, Chairman of the Board of Directors

Chu-Hsiang Yang, Director

Chin-Lung Ting, Director

Hsieh, Chi-Chia, Independent Director

Zhen-Wei Wang, Independent Director

Wang, Wei-Fan, Attorney

Wu, Han-Chi, Certified Public Accountant of PWC Taiwan

Chair: Jin-Yang Hung, Chairman of the Board of Directors

Recorder: Joyce Chen

**Commencement** (The aggregate shareholding of the shareholders present in person or by proxy constitutes a quorum. The Chair called the meeting to order.)

**Chairperson Remarks**(omitted)

### Reporting Items

1. Operating Report of the year of 2019. (Attachment 1)
2. Audit Committee's Review Report. (Attachment 2)
3. Formulation and amendment of Regulations for Share Repurchase of the Company(Attachment 3)
4. The Status of Treasury Stocks Transferring.
5. Issue of overseas unsecured and convertible Corporate Bonds.

### Adopting Items

(Proposed by the Board of Directors)

Proposal 1 : 2019 Operating Report and the Financial Statement of the Company. Adoption is respectfully requested.

Explanation : 1. 2019 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&4.

Resolution : that the above proposal be and hereby was approved as proposed.

Voting Results : 5,458,958,403 shares were represented at the time of voting.  
(Including 3,314,279,910 shares casted electronically)

Voting Condition	Voting rights	% of the total represented share present
Votes in favor (electronic Votes)	4,800,344,147 (2,660,305,995)	87.93%
Votes against (electronic Votes)	9,187,325 (9,187,325)	0.16%
Invalid Votes (electronic Votes)	0 (0)	0.00%

Votes abstained (electronic Votes)	649,368,980 (644,786,590)	11.89%
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(Proposed by the Board of Directors)

Proposal 2 : The Proposal for making up losses for the year of 2019. Adoption is respectfully requested.

Explanation : 1. The Company's undistributed earnings at the beginning of 2019 was NT\$47,354,032,180. After deducting the retained earnings adjustment of NT\$46,596,037, the after-tax net loss of the current period of NT\$17,442,990,310 and the special earnings reserve of NT\$2,661,974,482, the Company's undistributed earnings at the end of 2019 was NT\$27,202,471,351.

2. Table of Losses Offsetting of Year re attached hereto as Attachment 5.

Resolution : that the above proposal be and hereby was approved as proposed.

Voting Results : 5,458,958,403 shares were represented at the time of voting.

(Including 3,314,279,910 shares casted electronically)

Voting Condition	Voting rights	% of the total represented share present
Votes in favor (electronic Votes)	4,846,828,978 (2,706,790,826)	88.78%
Votes against (electronic Votes)	5,564,763 (5,564,793)	0.10%
Invalid Votes (electronic Votes)	0 (0)	0.00%
Votes abstained (electronic Votes)	606,506,711 (601,924,321)	11.11%

### Discussion and Election Items

(Proposed by the Board of Directors)

Proposal 1 : Proposal of cash distribution from capital surplus. Approval is respectfully requested.

Explanation : 1. Pursuant to Article 241 of the Company Act, the Company will distribute the capital reserve of income derived from the issuance of new shares at a premium at the amount of NT\$ 963,107,198. The distribution will be made according to shareholders and the shares held by the shareholders registered on the shareholders' roster on the distribution record date. Each share will receive the distribution in cash at the amount of NT\$0.1. The distribution by cash shall be calculated until NT\$1. For the amount less than NT\$1 shall be completely round down. It is proposed to authorize the Chairman to seek certain person to fully handle the remainder of the distribution less than NT\$1.

2. In the event that there is change in capital of the Company affecting the outstanding shares of the Company, causing the distribution ratio shall be changed and adjusted, it is proposed that the Chairman be authorized to handle this situation.

3. It is proposed that the Chairman be authorized to decide the distribution record date, the distribution date, and other related matters after this proposal is resolved by the shareholders' meeting.

Resolution : that the above proposal be and hereby was approved as proposed.

Voting Results : 5,458,958,403 shares were represented at the time of voting.

(Including 3,314,279,910 shares casted electronically)

Voting Condition	Voting rights	% of the total represented share present
Votes in favor (electronic Votes)	4,841,239,584 (2,701,201,432)	88.68%

Votes against (electronic Votes)	11,688,244 (11,688,244)	0.21%
Invalid Votes (electronic Votes)	0 (0)	0.00%
Votes abstained (electronic Votes)	605,972,624 (601,390,234)	11.10%

(Proposed by the Board of Directors)

Proposal 2 : The proposal of transferring shares bought back to employees at a price lower than the average price of the actually purchased shares is hereby submitted for consideration., Approval is respectfully requested.

Explanation : 80,000,000 shares of the Company were bought back in the first trench by the Company. In order to stimulate the employees and improve their loyalty, the Company plans to transfer the shares to employees at an average price of NT\$7.73 which is lower than the actual price of the shares bought back. According to Article 10-1 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, the Company will transfer the shares to employees at an average price lower than the actual price of the shares bought back, and the following is to be stated:

(1) Transfer Price, Discount Ratio, Calculation Basis and Reasonableness:

The actual transfer price is NT\$3.50, which is 45.28% of the average price of NT\$7.73. The discount rate is reasonable according to the current economic situation and the future operation of the Company.

(2) Number of Shares Transferred, Purpose and Reasonableness:

1. Number of shares transferred: 80,000,000.

2. Purpose: To stimulate employees and improve their loyalty.

3. Reasonableness: It is estimated that 80,000,000 shares will be transferred to employees, accounting for 0.82% of the issued shares; this is in line with the relevant laws and regulations. It is also reasonable that the purpose of transfer is to stimulate employees and talents.

(3) Qualifications of the Subscribing Employees and Number of Shares That May Be Subscribed to:

Qualification of employees: In accordance with Article 4 of the Company's Measures for Buyback of Shares for Transfer to Employees.

Number of shares that may be subscribed to: To be handled in accordance with Article 5 of the Company's Measures for Buyback of Shares for Transfer to Employees.

(4) Impact on Shareholders' Rights:

1. Amount of possible expensed funds and dilution of earnings per share:

Based on the closing price of NT\$6.27 and the transfer price of NT\$3.50 on the day before the 8th board of directors' meeting of the Company (May 5, 2020), the possible amount of expensed funds is about NT\$221,600 thousand (to be calculated separately according to the actual transfer base date); the dilution of per-share earnings shall be the amount of possible expensed funds divided by the number of the Company's shares issued and outstanding, which is 0.0228%.

2. State the financial burden on the Company caused by the share transfer to employee at a price lower than the average price of the actually purchased shares:

The average price of the treasury shares bought back by the Company is NT\$7.73 per share, and totally 80,000,000 shares were bought back with an amount of NT\$618,580,223. The cash outflow calculated by transferring 80,000,000 shares to employees at NT\$3.50 per share is

NT\$338,979 thousand.

Resolution : that the above proposal be and hereby was approved as proposed.

Voting Results : 5,458,958,403 shares were represented at the time of voting.

(Including 3,314,279,910 shares casted electronically)

Voting Condition	Voting rights	% of the total represented share present
Votes in favor (electronic Votes)	3,671,834,017 (1,532,325,865)	67.26%
Votes against (electronic Votes)	1,174,948,914 (1,174,418,914)	21.52%
Invalid Votes (electronic Votes)	0 (0)	0.00%
Votes abstained (electronic Votes)	612,117,521 (607,535,131)	11.21%

(Proposed by the Board of Directors)

Proposal 3 : Amendments to “ Procedures for Engaging in Derivatives Trading” of the Company. Approval is respectfully requested.

Explanation : 1. In conformity with the amendments of laws & regulations , it is proposed to amend “ Procedures for Engaging in Derivatives Trading” of the Company.  
2. The comparative table of the amended provisions is attached hereto as Attachment 6.

Resolution : that the above proposal be and hereby was approved as proposed.

Voting Results : 5,458,958,403 shares were represented at the time of voting.

(Including 3,314,279,910 shares casted electronically)

Voting Condition	Voting rights	% of the total represented share present
Votes in favor (electronic Votes)	4,847,207,062 (2,707,168,910)	88.79%
Votes against (electronic Votes)	5,517,037 (5,517,037)	0.10%
Invalid Votes (electronic Votes)	0 (0)	0.00%
Votes abstained (electronic Votes)	606,176,353 (601,593,963)	11.10%

(Proposed by the Board of Directors)

Proposal 4 : Amendments to “Rules of Shareholders’ Meeting” of the Company. Approval is respectfully requested.

Explanation : 1. In conformity with the amendments of laws & regulations , it is proposed to amend “Rules of Shareholders’ Meeting” of the Company.  
2. The comparative table of the amended provisions is attached hereto as Attachment 7.

Resolution : that the above proposal be and hereby was approved as proposed.

Voting Results : 5,458,958,403 shares were represented at the time of voting.

(Including 3,314,279,910 shares casted electronically)

Voting Condition	Voting rights	% of the total represented share present
Votes in favor (electronic Votes)	4,847,410,461 (2,707,372,309)	88.79%
Votes against (electronic Votes)	5,447,820 (5,447,820)	0.09%

Invalid Votes (electronic Votes)	0 (0)	0.00%
Votes abstained (electronic Votes)	606,042,171 (601,459,781)	11.10%

(Proposed by the Board of Directors)

Proposal 5 : Proposal to by-election of directors. Approval is respectfully requested.

Explanation : 1. The 8th director of the company is missing a seat, and it is planned to conduct a by-election according to the company.

2. One director shall be elected this time, the term of office from the date of election to June 30, 2022.

3. The number of nominated 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 8.

4. It is proposed to submit for election.

Election Results: Directors-Elect list as below:

Title	Name	Votes
Director	Jyh-Chau Wang	4,354,427,205

### **Extemporary Motion**

Shareholder speech : Shareholder Account No. 582639 · 682981

**Adjourn Meeting: The meeting was adjourned at a.m. 09:40**

# Attachment 1

## INNOLUX CORPORATION

### 2019 Operating Report

#### 1. 2019 Operating Report

In 2019, the global economy fell into a synchronous slowdown. According to the statistics of the International Monetary Fund, the economic growth rate was only 3%, which is the lowest since the global financial crisis, and represents the most serious decline since the synchronous global economic recovery to an annual growth rate of 3.8% in 2017. However, the sluggish economic growth this time is mainly due to the uncertainty caused by global tariff barriers and fierce trade conflicts, resulting in the decline of both capital investment and demand for goods, and the slowdown of global economic growth.

Due to the continuous new panel capacity in mainland China, the oversupply of the panel market, the continuous decline of the panel price, and the impact of the tariff increase due to the Sino-US trade war, the overall operation and growth of the Company has been severely challenged. The consolidated revenue in 2019 was NT\$252 billion, a decline of 9.8%, with an after-tax net loss of NT\$17.4 billion and a loss per share of NT\$1.77. However, owing to the hard work of the Company's business team, the business continues to generate a positive cash flow with an annual EBITDA of 6.0%; the overall financial status is still stable.

After a whole year of refinement, and with the promulgation of automobile emission standards, the finalization of the 5G telecommunication license requirement, and the easing of Sino-US trade conflicts, the supply chain of the panel industry has made competitive and cooperative adjustments; some of the industry peers have stopped production and even closed down, which greatly improved the market supply and demand situation. In the fourth quarter, although various economic data have shown a gradually better trend, there are still tense geopolitics and oil and raw material price fluctuations, as well as the chain effect caused by the COVID-19 pandemic. The Company will continue to adjust its business strategy, improve its technology, develop new applications, tap on products with high-end technology, develop emerging markets, and create maximum benefits for the Company and its shareholders through the improvement of technical quality.

In view of the future, our operation team and all of our employees will continue to endeavor, to concentrate, and to innovate for the best interest of our shareholders.

#### 2. Results of operation scheme

In 2019 our consolidated revenue was NT\$ 251,971,209 thousands, which decrease NT\$27,404,906 thousands or 9.8% by compared with the 2018 yearly revenue of NT\$ 279,376,115 thousands. In 2019 our annual profit after tax which belonged to mother company was NT\$17,442,990 thousands, and the annual loss per share is NT\$0.22.

#### 3. Budget Performance

Since we did not disclosure the financial forecast in 2019, we don't have to disclose our budget performances.

#### 4. Analysis of financial operation and profitability

Item		2018	2019
Financial structure analysis (%)	Debt ratio (%)	38.10	37.23
	Long term funds to real estates, factories and equipments (%)	141.15	129.16

Item		2018	2019
Debt-paying ability	Current ratio (%)	141.12	120.12
	Quick ratio (%)	113.81	88.51
	Interest guarantee (times)	12.59	(15.02)
Profitability	Return on total assets (%)	0.64	(4.25)
	Return on total shareholders' equity (%)	0.86	(7.16)
	Operating income to capital (%)	4.86	(20.53)
	Pre-tax income to capital (%)	6.60	(17.02)
	Net income to sales (%)	0.80	(6.92)
	Earnings per share (NT\$)	0.22	(1.77)

#### 5. Research development situation

In terms of TV panels, the Company initiated the 8.6 generation panel production line planning and expanded the 50 inch panel production capacity. Subsequently, a number of new panel manufacturers followed the Company's footsteps to invest in more than four 8.6 generation panel factories, successfully pushing the 50 inch specification to the mainstream market position to become the main product for TV-brand oriented customers. These newcomers jointly develop high-quality and high-value-added products with the Company, and jointly grasp business opportunities and share achievements with the Company.

Since 2018, the Company's TV panel products have also been extended from the original OC (open-cell) and panel modules to TV sets, covering all the major sizes of 24"/32"/40"/50"/65", and expanded product exports. Compared with OC products of the same size, TV set products can not only create more than 2 to 2.5 times of revenue, but also extend the related technology to high-level and large-scale products, among which the most representative one is the world's largest 120 inch 8K high-specification TV. Moreover, in addition to entering the market of TV sets, the Company also plans to enter the public display (PID) market, which has not only a high gross profit margin, but also a more than 20% annual growth potential in the future.

In the aspect of notebook panel, the Company cooperates with major brand customers and leads the world in introducing LTPS (low temperature polycrystalline silicon)/IGZO advanced process technology into privacy displays, and also developed products with a new aspect ratio of 3:2/16:10, and leads the world in launching the 16.1 inch FHD to be exclusively provided to world-class customers. In addition, the Company has developed products with a high contrast ratio of 3000:1 (compared with the industry peers' 800 ~ 1000:1) and narrow-border products to greatly improve the display quality. The Company has also integrated various advanced technological breakthroughs to promote the performance of TFT-LCD panels in cost structure, quality reliability and other key factors to surpass OLED panels.

In terms of small and medium-sized panels, the Company is making a diversified development in sizes ranging from 1.4 inches to 10 inches for wide applications in mobile devices and consumer electronic products, including smart phones, functional phones, tablets, home appliances, smart speakers, smart watches, VR head-mounted displays (HMDs), digital cameras, multi-function printers, entertainment game machines and automotive electronic displays. On technology, we will continue to expand the penetration of low-temperature polycrystalline silicon (LTPS) and IPS technology to meet the market demand of high resolution and wide perspective, while providing lighter, thinner, power-

saving, embedded integrated touch, free form and full screens products to enhance the value; we will effectively combine the Company's advanced technology and large-scale production capacity, and closely cooperate with major global customers to achieve a win-win situation.

With the application of touch technology in various mobile devices, the Company is actively developing an integrated touch solution to successfully improve the optical and integrated functions of touch panel. The Company leads the industry in introducing the TOD (Touch on Display) touch solution, which is widely used in mobile phones, tablets and notebook products. With the development of embedded integrated touch technology and the mature supply chain, we have also developed the TID (Touch in Display) touch solution, making the product appearance simpler and lighter. At this stage, we are trying to inject 3D touch DST (Deep Sensing Technology) technology and the active stylus solution under our existing TID (Touch in Display) architecture, and continuously develop new technologies and actively apply them to mobile phones, tablet computers, consumer electronics, automotive and IT products to provide customers and consumers with better product experience, with the goal of becoming a comprehensive touch integrated solution provider covering displays, touch screens and protective glasses.

## 6. Digital Transformation of the Company

The Company believes that industry 4.0 will change the manufacturing mode and upgrade it from touch-control one-stop production line automation 3.0 in 2012 to "zero touch" light-off factory in 2019; through AI engineering key technology, the automatic manufacturing technology will gradually improve, and extend upward to the glass supply chain's supply and demand management and downward to intelligent logistics on the consumer end, and from manufacturing, quality and supply chain management to intelligent office; through AI human-machine cooperation, the talent value will be improved to replace repetitive routine work to show the effect of AI intelligent interconnection, solid management and doubled yield in quality. AI intelligent factory will drive the trend of high quality and high specification, which is the main axis of value-added strategy of Innolux Corporation.

The Company uses big data to connect the intelligent factory, supply chain, intelligent office and management intelligence of the front-end TFT LCD factory and the back-end LCM module to achieve intelligent manufacturing and flexible decision-making to achieve win-win through interconnection, and solve production problems quickly with intelligent manufacturing.

The Company's digital transformation comes three stages:

### 1. Industry 4.0 promotion: combining big data and AI to connect the front and back end intelligent factories

Front end: introducing process intelligence (such as intelligent error proofing, intelligent quality, etc.), equipment intelligence (such as intelligent image of automatic equipment plus non-landing production, intelligent warehousing and logistics, etc.), management intelligence (such as intelligent planning and scheduling, intelligent factory security, etc.) to multiply the benefits of intelligent factory. Through AI big data and actual process monitoring and management, the quality yield is greatly improved, and the number of major abnormal cases (AERB) is decreasing year by year.

Back end: combining automation and AI Artificial Intelligence, and using cross-plant co-structuring and parallel implementation to reduce the manpower demand for cumbersome process by handling, assembling and testing robots to decrease the number of employees from 100,000 in 2015 to 55,000, saving up to NT\$7 billion in HR cost.

### 2. Intelligent management office: introducing the intelligent management office to make improvements from the three aspects of technology, product and brand to promote the technology platform; the products have the advantages of specification priority, cost differentiation and quality differentiation; achieve the promotion of the Company's

brand value and customer support through commercial development.

3. Double-track transformation for innovation: The Company is building its strength in the panel industry, focuses on technology and manufacturing, and devotes itself to transformation to develop and provide one-stop customized production, and combine research and development, system, manufacturing and sales to provide an all-round panel product solution and becomes the best strategic partner of customers.

In the future, based on "playing a one-stop, building big data, sharing smart finance and creating a win-win situation", the Company outlines Taiwan's supply chain layout strategy and vision for the world's factories, and joins hands with the supply chain to upgrade to the world's leading intelligent factory with years of automation manufacturing strength.

President:

Manager :

Chief Accountant :

## Attachment 2

### Audit Committee Review Report

The Board of Directors has duly submitted the 2019 operating report, financial statements, and table of losses off-setting. 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 losses off-setting. 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 2020

Chairman of the Audit Committee  
Chi-Chia Hsieh  
Date: May 5, 2020

## Attachment 3

### Innolux Corporation

#### Regulations Share Repurchase and Transfer to Employees

Enactment date : July 15, 2019

- Article 1 For the purpose of encouraging our employees and to build cohesion among the employees, the Company hereby, pursuant to Article 28-2, Paragraph 1, Subparagraph 1 of the “Securities and Exchange Act” and the “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies” issued by Financial Supervisory Commission R.O.C., establishes the “Plan of Share Repurchase and Transferring to the Employees” (the “Plan”). Except otherwise provided in relevant laws or regulations, all share repurchase and transferring to the employees of the Company shall be implemented in compliance with the Plan.
- Article 2 Type of transfer of shares, content of rights and restrictions on rights  
The shares to be transferred to the employees are ordinary shares. Except as otherwise provided in relevant laws or regulations or in this Plan, the rights and obligations embedded thereon are the same with other ordinary shares of the Company.
- Article 3 Transfer period  
The repurchased shares can be transferred to employees in one time or several times, such subscription day(s) shall be set within 5 years from the date of share-repurchase.
- Article 4 Transferee’s eligibility  
All employees of the company and the company who directly or indirectly hold more than 50% of the voting shares of the same invested company if they have served three months before the subscription base date or have made special contributions to the company with the approval of the chairman of the report Full-time employees of the company (including overseas subsidiaries) may be eligible for subscription according to the subscription amount set in Article 5 of these Measures.
- Article 5 Numbers of shares to be subscribed by employees  
The Chairman shall decide the number of shares to be subscribed by considering certain factors, such as the employees’ level, seniority or special contribution to the Company, together with the number of treasury shares held by the Company as of the record date of subscription and the maximum number of shares that can be subscribed by an individual employee, etc.  
Failure to subscribe and make the payment for the shares before the due date shall be deemed as giving up the right to subscribe. The chairman is authorized to have other employees to subscribe the remaining shares that are not fully subscribed.
- Article 6 The transfer procedure of this share repurchase program is described as follows:  
(1) In accordance with the resolution of the board of directors, announce, declare

- and buy back the shares of the company within the execution period
- (2) Board of Directors authorizes the Chairman to set and announce the number of shares transferred in several stages employees' subscription date, the standards for numbers of shares to which employees may subscribe, the period for payment or subscriptions, rights, and limitations, etc.
  - (3) To calculate the actual share subscription with payment received, and transfer the shares accordingly.

Article 7 The transfer price of the shares

The transfer price of the repurchase shares shall be the average price of the actual repurchase. If the number of the Company's issued and outstanding ordinary shares increases or decreases prior to the transfer, the transfer price shall be adjusted proportionately. Or, in accordance with the provisions of the company's articles of association, the employee who transfers to the employee at an average price lower than the actual purchase price shall, prior to the transfer, submit the attendance of the majority of the shareholders of the most recent shareholder's issued shares, and attend the voting rights of the shareholders. The consent of two or more shall be dealt with in the matters stipulated in Article 10 of the "Proposal for the Company to buy back the shares of the company" in the convening of the shareholders' meeting.

Adjustment formula of the transfer price:

Adjusted Exercise Price = (the average price of the actual repurchase x number of issued and outstanding ordinary shares as of the time of reporting repurchase shares) / (number of total issued and outstanding shares before transferring the repurchase shares to the employees)

Article 8 Rights and obligations of shares after transfer

After the repurchased shares are being transferred and registered under employees' names, unless otherwise specified, the rights and obligations associated with the shares are the same as the original associated with the common shares.

Article 9 Other related company and employee rights and obligations

- (1) The taxes and fees incurred in the transfer of shares in accordance with these Measures shall be handled in accordance with the laws and regulations at the time of the transfer and the relevant operations of the company.
- (2) The company may reserve the right to adjust or stop the implementation according to the overall profitability of the operation, and the employees subject to the obligation to maintain confidentiality.

Article 10 This Plan shall take effect after being affirmatively resolved by the Board of Directors and may be amended by a resolution of the Board of Directors.

Article 11 The enactment and any amendment of this Plan shall be reported to the shareholders meeting.

**Comparative table for Amendments to  
Regulations Share Repurchase and Transfer to Employees**

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 4	<p>Transferee's eligibility</p> <p>Any employee of the Company who has made a special contribution to the company before the date of the subscription or has made a special contribution to the company and has submitted the approval of the chairman of the board of directors and employees of domestic and foreign control or subordinate companies that meet certain conditions may be determined in accordance with Article 5 of these Measures. The subscription amount is eligible for subscription.</p>	<p>Transferee's eligibility</p> <p>All employees of the company and the company who directly or indirectly hold more than 50% of the voting shares of the same invested company if they have served three months before the subscription base date or have made special contributions to the company with the approval of the chairman of the report Full-time employees of the company (including overseas subsidiaries) may be eligible for subscription according to the subscription amount set in Article 5 of these Measures.</p>	Express transferee's eligibility
Article 9	<p>Other related company and employee rights and obligations</p> <p>(1) <del>The company's share-purchase shares are transferred to employees and may not be transferred within two years.</del></p> <p>(2) The taxes and fees incurred in the transfer of shares in accordance with these Measures shall be handled in accordance with the laws and regulations at the time of the transfer and the relevant operations of the company.</p> <p>(3) The company may reserve the right to adjust or stop the implementation according to the overall profitability of the</p>	<p>Other related company and employee rights and obligations</p> <p>(1) <del>The company's share-purchase shares are transferred to employees and may not be transferred within two years.</del></p> <p>(2) The taxes and fees incurred in the transfer of shares in accordance with these Measures shall be handled in accordance with the laws and regulations at the time of the transfer and the relevant operations of the company.</p> <p>(3) The company may reserve the right to adjust or stop the implementation according to the overall profitability of the</p>	Remove transfer restrictions and adjust the item

Article No.	The current Article	The Amended Article	Reasons for Amendment
	operation, and the employees subject to the obligation to maintain confidentiality.	operation, and the employees subject to the obligation to maintain confidentiality.	

# Attachment 4

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Innolux Corporation:

### *Opinion*

We have audited the accompanying consolidated balance sheets of Innolux Corporation (the “Company”) and its subsidiaries as at December 31, 2019 and 2018, 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, 2019 and 2018, 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 the Consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements of the Company and its

subsidiaries for the year ended December 31, 2019 are outlined as follows:

### **Inventory valuation**

#### Description

The industry is characterized by the 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 Group evaluates 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. The abovementioned allowance for inventory valuation losses mainly arise from the excess of the cost of inventory over the net realizable value of inventory. For details of inventory, please refer to Note 6(6). There is a risk of the excess of the cost of inventory over the net realizable value of inventory as a result of that the amounts of inventories are material and the sales of related products may have significant fluctuations; we consider inventory valuation a key audit matter.

#### How our audit addressed the matter

We obtained the net realizable value report of inventory used by management for evaluation. And obtained an understanding of sales price basis adopted by management for abovementioned inventory along with the related supporting documents to assess 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(11).

The Group 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 Corporation as at and for the years ended December 31, 2019 and 2018.

#### ***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 13, 2020

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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, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019	December 31, 2018
<b>Current Assets</b>			
1100	Cash and cash equivalents	\$ 34,732,975	\$ 33,847,328
1110	Financial assets at fair value through profit or loss - current	283,906	398,913
1136	Financial assets at amortized cost - current	19,704,149	51,426,053
1170	Accounts receivable, net	39,889,807	45,064,157
1180	Accounts receivable, net - related parties	2,488,519	4,449,977
1200	Other receivables	848,402	1,489,260
130X	Inventory	30,439,076	30,856,552
1410	Prepayments	4,597,608	1,993,152
1479	Other current assets	133,807	208,724
11XX	<b>Total current assets</b>	<u>133,118,249</u>	<u>169,734,116</u>
<b>Non-current assets</b>			
1510	Financial assets at fair value through profit or loss - non-current	3,044,756	1,599,869
1517	Financial assets at fair value through other comprehensive income - non-current	4,268,485	3,834,376
1550	Investments accounted for under equity method	1,333,570	1,802,921
1600	Property, plant and equipment	194,382,436	206,617,960
1755	Right-of-use assets	6,095,351	-
1760	Investment property, net	527,232	551,970
1780	Intangible assets	17,577,644	17,681,485
1840	Deferred income tax assets	7,349,810	7,223,864
1990	Other non-current assets	2,066,813	2,873,043
15XX	<b>Total non-current assets</b>	<u>236,646,097</u>	<u>242,185,488</u>
1XXX	<b>Total assets</b>	<u>\$ 369,764,346</u>	<u>\$ 411,919,604</u>

(Continued)

**INNOLUX CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019	December 31, 2018
<b>Current Liabilities</b>			
2120	Financial liabilities at fair value through profit or loss - current	\$ 345,463	\$ 23,779
2170	Accounts payable	47,656,235	52,350,845
2180	Accounts payable - related parties	3,784,991	2,652,127
2200	Other payables	28,622,732	32,581,609
2230	Current income tax liabilities	2,311,481	5,593,063
2250	Provisions - current	6,775,927	6,782,914
2280	Lease liabilities - current	453,848	-
2320	Long-term liabilities, current portion	16,022,013	16,194,486
2399	Other current liabilities	4,845,455	4,095,853
21XX	<b>Total current liabilities</b>	<u>110,818,145</u>	<u>120,274,676</u>
<b>Non-current liabilities</b>			
2530	Corporate bonds payable	97,018	-
2540	Long-term borrowings	19,604,768	35,142,090
2570	Deferred income tax liabilities	1,465,526	880,013
2580	Lease liabilities - non-current	4,977,024	-
2600	Other non-current liabilities	691,836	632,120
25XX	<b>Total non-current liabilities</b>	<u>26,836,172</u>	<u>36,654,223</u>
2XXX	<b>Total liabilities</b>	<u>137,654,317</u>	<u>156,928,899</u>
<b>Equity attributable to owners of the parent</b>			
3110	Share capital - common stock	97,110,720	99,520,720
3200	Capital surplus	100,362,379	99,648,115
<b>Retained earnings</b>		6(20)	
3310	Legal reserve	7,870,713	7,648,437
3320	Special reserve	4,663,463	1,090,721
3350	Unappropriated retained earnings	29,864,446	51,746,175
3400	Other equity interest	( 7,325,437 )	( 4,663,463 )
3500	Treasury shares	( 618,580 )	-
31XX	<b>Equity attributable to owners of the parent</b>	<u>231,927,704</u>	<u>254,990,705</u>
36XX	<b>Non-controlling interests</b>	<u>182,325</u>	<u>-</u>
3XXX	<b>Total equity</b>	<u>232,110,029</u>	<u>254,990,705</u>
3X2X	<b>Total liabilities and equity</b>	<u>\$ 369,764,346</u>	<u>\$ 411,919,604</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, 2019 AND 2018**

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	2019	2018
4000 <b>Sales revenue</b>	6(22) and 7	\$ 251,971,209	\$ 279,376,115
5000 <b>Operating costs</b>	6(6)(26) and 7	( 248,957,129)	( 252,562,557)
5900 <b>Net operating margin</b>		<u>3,014,080</u>	<u>26,813,558</u>
<b>Operating expenses</b>	6(26)		
6100 Selling expenses		( 3,676,803)	( 3,071,282)
6200 General and administrative expenses		( 6,806,373)	( 6,771,502)
6300 Research and development expenses		( 12,464,800)	( 12,135,478)
6000 <b>Total operating expenses</b>		<u>( 22,947,976)</u>	<u>( 21,978,262)</u>
6900 <b>Operating (loss) profit</b>		<u>( 19,933,896)</u>	<u>4,835,296</u>
<b>Non-operating income and expenses</b>			
7010 Other income	6(23)	3,256,859	3,025,467
7020 Other gains and losses	6(24)	876,046	( 1,168,235)
7050 Finance costs	6(25)	( 1,031,733)	( 566,967)
7060 Share of profit of associates and joint ventures accounted for under equity method	6(7)	<u>307,296</u>	<u>443,869</u>
7000 <b>Total non-operating income and expenses</b>		<u>3,408,468</u>	<u>1,734,134</u>
7900 <b>(Loss) profit before income tax</b>		( 16,525,428)	6,569,430
7950 Income tax expense	6(28)	( 914,844)	( 4,346,668)
8200 <b>(Loss) profit for the year</b>		<u><u>\$ 17,440,272</u></u>	<u><u>\$ 2,222,762</u></u>

(Continued)

**INNOLUX CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	2019	2018
<b>Other comprehensive income (loss) (net)</b>			
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>			
8311	Remeasurement of defined benefit plans	6(15) (\$ 58,246)	(\$ 29,878)
8316	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	6(21) 299,431	( 2,828,816)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28) 86,781	5,976
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<u>327,966</u>	<u>( 2,852,718)</u>
<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>			
8361	Financial statements translation differences of foreign operations	6(21) ( 2,951,930)	( 828,563)
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method	6(21) ( 85,365)	( 84,637)
8360	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>	<u>( 3,037,295)</u>	<u>( 743,926)</u>
8300	<b>Other comprehensive loss for the year, net of tax</b>	<u>(\$ 2,709,329)</u>	<u>(\$ 3,596,644)</u>
8500	<b>Total comprehensive loss for the year</b>	<u>(\$ 20,149,601)</u>	<u>(\$ 1,373,882)</u>
<b>(Loss) profit attributable to:</b>			
8610	Owners of the parent	(\$ 17,442,990)	\$ 2,222,762
8620	Non-controlling interest	\$ 2,718	\$ -
<b>Other comprehensive (loss) income attributable to:</b>			
8710	Owners of the parent	(\$ 20,151,561)	(\$ 1,373,882)
8720	Non-controlling interest	\$ 1,960	\$ -
<b>(Loss) earnings per share (in dollars)</b>			
9750	<b>Basic (loss) earnings per share</b>	<u>(\$ 1.77)</u>	<u>\$ 0.22</u>
9850	<b>Diluted (loss) earnings per share</b>	<u>(\$ 1.77)</u>	<u>\$ 0.22</u>

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, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent													
Notes	Common stock	Capital surplus	Retained Earnings			Other Equity Interest			Treasury shares	Total	Non-controlling interests	Total	
			Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets					
<b>2018</b>													
	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	\$ -	\$ 264,325,048
6(21)	Effect of modified retrospective approach under IFRS 9	-	-	-	-	-	-	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	-	264,325,048
	Profit for the year	-	-	-	-	2,222,762	-	-	-	-	2,222,762	-	2,222,762
6(21)	Other comprehensive loss for the year	-	-	-	-	( 23,902)	( 743,926)	( 2,828,816)	-	-	( 3,596,644)	-	( 3,596,644)
	Total comprehensive income (loss)	-	-	-	-	2,198,860	( 743,926)	( 2,828,816)	-	-	( 1,373,882)	-	( 1,373,882)
6(20)	Appropriation of 2017 earnings:												
	Legal reserve	-	-	3,702,861	-	( 3,702,861)	-	-	-	-	-	-	-
	Special reserve	-	-	-	( 2,328,083)	2,328,083	-	-	-	-	-	-	-
	Cash dividends	-	-	-	-	( 7,961,657)	-	-	-	-	( 7,961,657)	-	( 7,961,657)
	Recognition of change in equity of associates in proportion to the Group's(19) ownership	-	1,196	-	-	-	-	-	-	-	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	\$ -	\$ 254,990,705
<b>2019</b>													
	Balance at January 1	\$ 99,520,720	\$ 99,648,115	\$ 7,648,437	\$ 1,090,721	\$ 51,746,175	(\$ 6,461,149)	\$ 1,797,686	\$ -	\$ -	\$ 254,990,705	\$ -	\$ 254,990,705
	(Loss) profit for the period	-	-	-	-	( 17,442,990)	-	-	-	-	( 17,442,990)	2,718	( 17,440,272)
6(21)	Other comprehensive (loss) income for the year	-	-	-	-	( 46,597)	( 3,036,537)	374,563	-	-	( 2,708,571)	( 758)	( 2,709,329)
	Total comprehensive (loss) income	-	-	-	-	( 17,489,587)	( 3,036,537)	374,563	-	-	( 20,151,561)	1,960	( 20,149,601)
6(20)	Appropriation of 2018 earnings:												
	Legal reserve	-	-	222,276	-	( 222,276)	-	-	-	-	-	-	-
	Special reserve	-	-	-	3,572,742	( 3,572,742)	-	-	-	-	-	-	-
	Cash dividends	-	-	-	-	( 597,124)	-	-	-	-	( 597,124)	-	( 597,124)
	Recognition of change in equity of associates in proportion to the Group's(19) ownership	-	( 14,755)	-	-	-	-	-	-	-	( 14,755)	-	( 14,755)
6(19)	Recognition of changes in ownership interests in subsidiaries	-	24	-	-	-	-	-	-	-	24	14	38
6(18)	Purchase of treasury shares	-	-	-	-	-	-	-	( 2,299,624)	( 2,299,624)	-	-	( 2,299,624)
6(18)(19)	Cancellation of treasury shares	( 2,410,000)	728,956	-	-	-	-	-	1,681,044	-	-	-	-
6(30)	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	180,351	180,351
6(19)	Others	-	39	-	-	-	-	-	-	-	39	-	39
	Balance at December 31	\$ 97,110,720	\$ 100,362,379	\$ 7,870,713	\$ 4,663,463	\$ 29,864,446	(\$ 9,497,686)	\$ 2,172,249	\$ -	(\$ 618,580)	\$ 231,927,704	\$ 182,325	\$ 232,110,029

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, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
(Loss) profit before tax		(\$ 16,525,428 )	\$ 6,569,430
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortization	6(26)	35,129,951	35,878,131
Net (gain) loss on financial assets or liabilities at fair value through profit or loss		( 1,340,458 )	301,253
Expected credit loss		-	100,233
Share of loss of associates and joint ventures accounted for under equity method	6(7)	( 307,296 )	( 443,869 )
Gain from disposal of investments	6(24)	( 21,069 )	( 968 )
Loss on disposal of property, plant and equipment	6(24)	219,607	267,509
Gain on lease modification		( 951 )	-
Interest expense	6(25)	1,031,733	566,967
Interest income	6(23)	( 1,030,073 )	( 991,116 )
Dividend income	6(23)	( 123,952 )	( 236,574 )
Unrealized foreign exchange loss		60,811	149,778
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets /liabilities at fair value through profit or loss		436,671	( 22,574 )
Accounts receivable		5,182,421	( 1,514,778 )
Accounts receivable - related parties		1,972,618	13,277,320
Other receivables		582,673	( 214,028 )
Inventories		417,698	( 597,531 )
Prepayments		( 2,773,889 )	( 505,320 )
Other current assets		34,906	( 55,873 )
Changes in operating liabilities			
Accounts payable		( 4,695,964 )	1,474,345
Accounts payable - related parties		1,132,690	87,117
Other payables		( 2,467,509 )	( 1,755,666 )
Provisions - current		( 6,987 )	1,322,052
Other current liabilities		573,285	370,916
Other non-current liabilities		( 3,285 )	( 78,805 )
Cash inflow generated from operations		17,478,203	53,947,949
Cash paid for income tax		( 3,642,821 )	( 1,368,330 )
Net cash flows from operating activities		<u>13,835,382</u>	<u>52,579,619</u>

(Continued)

**INNOLUX CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at fair value through profit or loss		(\$ 148,874 )	(\$ 172,555 )
Proceeds from disposal of financial assets at fair value through profit or loss		35,585	-
Acquisition of investments in equity instruments measured at fair value through other comprehensive income		( 147,364 )	( 1,568,983 )
Proceeds from disposal of financial assets at fair value through other comprehensive income		1,500	-
Decrease (increase) in financial assets at amortized cost - current		31,659,162	( 51,592,853 )
Increase in investment accounted for under equity method		-	( 93,443 )
Proceeds from disposal of investment accounted for under equity method		-	28,928
Decrease (increase) in other financial assets		55,870	( 376,107 )
Acquisition of property, plant and equipment	6(31)	( 24,804,629 )	( 46,702,767 )
Proceeds from disposal of property, plant and equipment		38,597	32,249
Acquisition of intangible assets	6(11)	( 49,825 )	( 72,614 )
Net cash flow from acquisition of subsidiaries	6(31)	330,546	-
(Increase) decrease in other non-current assets		( 318 )	6,777
Interest received		1,095,236	928,781
Dividends received		693,976	545,771
Net cash flows from (used in) investing activities		<u>8,759,462</u>	<u>( 99,036,816 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in long-term borrowings		500,000	34,000,000
Payment of long-term borrowings		( 16,227,000 )	( 10,960,000 )
Interest paid		( 985,651 )	( 472,841 )
Payment of the principal portion of lease liabilities		( 463,805 )	-
Cash dividends paid	6(20)	( 597,124 )	( 7,961,657 )
Payments to acquire treasury shares	6(18)	( 2,299,624 )	-
Others	6(19)	39	-
Net cash flows (used in) from financing activities		<u>( 20,073,165 )</u>	<u>14,605,502</u>
Effect of changes in foreign currency exchange		<u>( 1,636,032 )</u>	<u>( 289,932 )</u>
Net increase (decrease) in cash and cash equivalents		885,647	( 32,141,627 )
Cash and cash equivalents at beginning of year		33,847,328	65,988,955
Cash and cash equivalents at end of year		<u>\$ 34,732,975</u>	<u>\$ 33,847,328</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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 are outlined as follows:

### **Inventory valuation**

#### Description

The industry is characterized by the 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 Company evaluates 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. The abovementioned allowance for inventory valuation losses mainly arise from the excess of the cost of inventory over the net realizable value of inventory. For details of inventory, please refer to Note 6(6). There is a risk of the excess of the cost of inventory over the net realizable value of inventory as a result of that the amounts of inventories are material and the sales of related products may have significant fluctuations; we consider inventory valuation a key audit matter.

#### How our audit addressed the matter

We obtained the net realizable value report of inventory used by management for evaluation. And obtained an understanding of sales price basis adopted by management for abovementioned inventory along with the related supporting documents to assess 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(11).

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.

### ***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 13, 2020

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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, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019	December 31, 2018
<b>Current assets</b>			
1100	Cash and cash equivalents	\$ 23,892,085	\$ 23,269,922
1110	Financial assets at fair value through profit or loss - current	7,660	160,172
1136	Financial assets at amortized cost - current	17,793,800	49,779,150
1170	Accounts receivable, net	31,348,610	39,176,537
1180	Accounts receivable, net - related parties	8,274,534	8,447,974
1200	Other receivables	620,723	595,079
1210	Other receivables - related parties	660,155	393,518
130X	Inventory	26,359,099	26,805,645
1410	Prepayments	3,344,555	706,270
1479	Other current assets	20,558	2,426
11XX	<b>Total current assets</b>	<u>112,321,779</u>	<u>149,336,693</u>
<b>Non-current assets</b>			
1510	Financial assets at fair value through profit or loss - non-current	2,651,408	1,198,417
1517	Financial assets at fair value through other comprehensive income - non-current	965,431	1,111,388
1550	Investments accounted for under equity method	83,068,937	83,002,481
1600	Property, plant and equipment	164,083,562	176,216,141
1755	Right-of-use assets	5,350,404	-
1760	Investment property, net	527,232	551,970
1780	Intangible assets	17,446,858	17,599,664
1840	Deferred income tax assets	7,339,101	7,166,754
1990	Other non-current assets	2,011,704	2,074,099
15XX	<b>Total non-current assets</b>	<u>283,444,637</u>	<u>288,920,914</u>
1XXX	<b>Total assets</b>	<u>\$ 395,766,416</u>	<u>\$ 438,257,607</u>

(Continued)

**INNOLUX CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019	December 31, 2018
<b>Current liabilities</b>			
2120	Financial liabilities at fair value	6(2)	
	through profit or loss - current	\$ 345,003	\$ 19,899
2170	Accounts payable	25,060,763	26,777,128
2180	Accounts payable - related parties	7	62,465,508
2200	Other payables	6(12) and 7	28,693,227
2230	Current income tax liabilities	6(26)	2,634,659
2250	Provisions - current	6(15) and 9	6,782,914
2280	Lease liabilities - current	430,143	-
2320	Long-term liabilities, current portion	6(13)	16,194,486
2399	Other current liabilities	4,297,573	3,183,671
21XX	<b>Total current liabilities</b>	<u>137,327,341</u>	<u>146,751,492</u>
<b>Non-current liabilities</b>			
2540	Long-term borrowings	6(13)	35,142,090
2570	Deferred income tax liabilities	6(26)	880,013
2580	Lease liabilities - non-current	4,959,354	-
2670	Other non-current liabilities	6(14)	493,307
25XX	<b>Total non-current liabilities</b>	<u>26,511,371</u>	<u>36,515,410</u>
2XXX	<b>Total liabilities</b>	<u>163,838,712</u>	<u>183,266,902</u>
<b>Equity</b>			
3110	<b>Share capital - common stock</b>	6(16)	99,520,720
3200	<b>Capital surplus</b>	6(17)	99,648,115
	<b>Retained earnings</b>	6(18)	
3310	Legal reserve	7,870,713	7,648,437
3320	Special reserve	4,663,463	1,090,721
3350	Unappropriated retained earnings	29,864,446	51,746,175
3400	<b>Other equity interest</b>	6(19)	( 4,663,463)
3500	<b>Treasury shares</b>	6(16)	( 618,580)
3XXX	<b>Total equity</b>	<u>231,927,704</u>	<u>254,990,705</u>
3X2X	<b>Total liabilities and equity</b>	<u>\$ 395,766,416</u>	<u>\$ 438,257,607</u>

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, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	2019	2018
4000	<b>Sales revenue</b>	\$ 249,384,126	\$ 278,407,555
5000	<b>Operating costs</b>	( 254,797,481)	( 260,401,853)
5900	<b>Net operating (loss) margin</b>	( 5,413,355)	18,005,702
	<b>Operating expenses</b>		
6100	Selling expenses	( 1,226,054)	( 1,654,671)
6200	General and administrative expenses	( 4,708,808)	( 4,700,630)
6300	Research and development expenses	( 11,543,290)	( 11,294,086)
6000	<b>Total operating expenses</b>	( 17,478,152)	( 17,649,387)
6900	<b>Operating (loss) profit</b>	( 22,891,507)	356,315
	<b>Non-operating income and expenses</b>		
7010	Other income	2,101,340	2,232,724
7020	Other gains and losses	1,344,637	( 752,123)
7050	Finance costs	( 1,027,787)	( 565,881)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	2,658,336	2,957,675
7000	<b>Total non-operating income and expenses</b>	5,076,526	3,872,395
7900	<b>(Loss) profit before income tax</b>	( 17,814,981)	4,228,710
7950	Income tax benefit (expense)	371,991	( 2,005,948)
8200	<b>(Loss) profit for the year</b>	( \$ 17,442,990)	\$ 2,222,762
	<b>Other comprehensive (loss) income (net)</b>		
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>		
8311	Remeasurement of defined benefit plans	( \$ 58,246)	( \$ 29,878)
8316	Unrealized losses on financial assets at fair value through other comprehensive income	( 145,957)	( 229,701)
8330	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under equity method	445,388	( 2,599,115)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	86,781	5,976
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	327,966	( 2,852,718)
	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>		
8361	Financial statements translation differences of foreign operations	( 2,951,172)	( 828,563)
8380	Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for under equity method	( 85,365)	84,637
8360	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>	( 3,036,537)	( 743,926)
8300	<b>Other comprehensive loss for the year, net of tax</b>	( \$ 2,708,571)	( \$ 3,596,644)
8500	<b>Total comprehensive loss for the year</b>	( \$ 20,151,561)	( \$ 1,373,882)
	<b>(Loss) earnings per share (in dollars)</b>		
9750	<b>Basic (loss) earnings per share</b>	( \$ 1.77)	\$ 0.22
9850	<b>Diluted (loss) earnings per share</b>	( \$ 1.77)	\$ 0.22

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, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

Notes	Retained Earnings					Other Equity Interest				
	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	Treasury shares	Total
<b>2018</b>										
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(19)	-	-	-	-	-	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(19)	-	-	-	( 23,902 )	( 743,926 )	( 2,828,816 )	-	-	( 3,596,644 )
Total comprehensive income (loss)	-	-	-	-	2,198,860	( 743,926 )	( 2,828,816 )	-	-	( 1,373,882 )
Appropriation of 2017 earnings:	6(18)	-	-	-	-	-	-	-	-	-
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(17)	-	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
<b>2019</b>										
Balance at January 1	\$ 99,520,720	\$ 99,648,115	\$ 7,648,437	\$ 1,090,721	\$ 51,746,175	(\$ 6,461,149 )	\$ 1,797,686	\$ -	\$ -	\$ 254,990,705
Loss for the year	-	-	-	-	( 17,442,990 )	-	-	-	-	( 17,442,990 )
Other comprehensive (loss) income for the year	6(19)	-	-	-	( 46,597 )	( 3,036,537 )	374,563	-	-	( 2,708,571 )
Total comprehensive (loss) income	-	-	-	-	( 17,489,587 )	( 3,036,537 )	374,563	-	-	( 20,151,561 )
Appropriation of 2018 earnings:	6(18)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	222,276	-	( 222,276 )	-	-	-	-	-
Special reserve	-	-	-	3,572,742	( 3,572,742 )	-	-	-	-	-
Cash dividends	-	-	-	-	( 597,124 )	-	-	-	-	( 597,124 )
Recognition of change in equity of associates in proportion to the Company's ownership	6(17)	-	( 14,755 )	-	-	-	-	-	-	( 14,755 )
Recognition of changes in ownership interests in subsidiaries	6(17)	-	24	-	-	-	-	-	-	24
Purchase of treasury shares	6(16)	-	-	-	-	-	-	-	( 2,299,624 )	( 2,299,624 )
Cancellation of treasury shares	6(16)(17)	( 2,410,000 )	728,956	-	-	-	-	-	1,681,044	-
Others	6(17)	-	39	-	-	-	-	-	-	39
Balance at December 31	\$ 97,110,720	\$ 100,362,379	\$ 7,870,713	\$ 4,663,463	\$ 29,864,446	(\$ 9,497,686 )	\$ 2,172,249	\$ -	(\$ 618,580 )	\$ 231,927,704

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, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
(Loss) profit before tax		(\$ 17,814,981 )	\$ 4,228,710
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortization	6(24)	30,888,735	31,969,539
Net (gain) loss on financial assets or liabilities at fair value through profit or loss		( 1,343,327 )	109,790
Expected credit loss		-	100,000
Share of profit of subsidiaries and associates accounted for under equity method		( 2,658,336 )	( 2,957,675 )
(Gain) loss on disposal of investments	6(22)	( 19,001 )	10,533
Loss on disposal of property, plant and equipment	6(22)	1,965	18,641
Gain on lease modification		( 951 )	-
Interest income	6(21)	( 683,012 )	( 775,096 )
Dividend income	6(21)	( 13,301 )	( 5,838 )
Interest expense	6(23)	1,027,787	565,881
Unrealized foreign exchange loss		60,811	149,778
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets /liabilities at fair value through profit or loss		477,616	( 86,139 )
Accounts receivable		7,827,927	2,128,692
Accounts receivable - related parties		173,440	1,038,736
Other receivables		( 87,150 )	124,760
Inventories		446,546	( 1,424,391 )
Prepayments		( 2,821,526 )	344,197
Other current assets		1,714	( 1,539 )
Changes in operating liabilities			
Accounts payable		( 1,716,365 )	( 2,246,645 )
Accounts payable - related parties		( 1,314,316 )	17,605,708
Other payables		( 3,801,853 )	( 1,751,921 )
Provisions - current		( 10,557 )	1,322,052
Other current liabilities		1,113,902	( 301,082 )
Other non-current liabilities		( 19,085 )	( 83,503 )
Cash inflow generated from operations		9,716,682	50,083,188
Cash paid for income tax		( 1,762,721 )	( 159,435 )
Net cash flows from operating activities		<u>7,953,961</u>	<u>49,923,753</u>

(Continued)

**INNOLUX CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in other receivables - related parties		(\$ 266,637 )	(\$ 364,727 )
Acquisition of financial assets at fair value through profit or loss		( 145,249 )	-
Proceeds from disposal of financial assets at fair value through profit or loss		35,585	-
Acquisition of investments in equity instruments measured at fair value through other comprehensive income		-	( 1,341,089 )
Decrease (increase) in financial assets at amortized cost - current		31,933,350	( 49,945,950 )
Increase in investment accounted for under equity method		( 592,405 )	( 2,188,258 )
Proceeds from capital reduction of investments accounted for under equity method		27,397	96,421
Increase in other financial assets		( 19,190 )	( 350,449 )
Acquisition of property, plant and equipment	6(29)	( 19,876,808 )	( 41,713,067 )
Proceeds from disposal of property, plant and equipment		276,715	34,691
Acquisition of intangible assets	6(11)	( 480 )	( 28,240 )
Increase in other non-current assets		( 1,154 )	( 177 )
Interest received		744,541	692,581
Dividends received		583,310	315,020
Net cash flows from (used in) investing activities		<u>12,698,975</u>	<u>( 94,793,244 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in long-term borrowings		500,000	34,000,000
Payment of long-term borrowings		( 16,210,000 )	( 10,960,000 )
Cash dividends paid	6(18)	( 597,124 )	( 7,961,657 )
Interest paid		( 982,242 )	( 471,756 )
Payment of the principal portion of lease liabilities		( 441,822 )	-
Payments to acquire treasury shares	6(16)	( 2,299,624 )	-
Others	6(17)	39	-
Net cash flows (used in) from financing activities		<u>( 20,030,773 )</u>	<u>14,606,587</u>
Net increase (decrease) in cash and cash equivalents		622,163	( 30,262,904 )
Cash and cash equivalents at beginning of year		<u>23,269,922</u>	<u>53,532,826</u>
Cash and cash equivalents at end of year		<u>\$ 23,892,085</u>	<u>\$ 23,269,922</u>

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

## INNOLUX CORPORATION

### Table of Losses Offsetting of Year 2019

Unit: NT\$

Item	Amount	Explanation
Accumulated retained earning at the start of the year	47,354,032,180	
Adjusted retained earnings of year 2019	(46,596,037)	Note 1
Adjusted undistributed retained earnings	47,307,436,143	
Net loss after tax of Year 2019	(17,442,990,310)	
Special reserve	(2,661,974,482)	Note 2
Unappropriated retained earnings to date	27,202,471,351	

Note 1: The number of adjusted retained earnings of year 2019 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  
Procedures for Engaging in Derivatives Trading**

Article No.	The current Article	The Amended Article	Reasons for Amendment
Enactment date	These Rules was made on June 29, 2010		The enactment date has been included in the history of Article 11, and this article is deleted
Article 2	<p>Statutory Basis</p> <p><del>1. “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” issued by Financial Supervisory Commission Jin Guan Zheng Fa Ji Order no. 1020053073 on Dec. 30 2013.</del></p> <p><del>2. International Accounting Standards No. 39 “Financial Instruments: Recognition and Measurement” approved by Financial Supervisory Commission Jin Guan Zheng Shen Ji Order no. 1030010325 on April 3rd 2014.</del></p> <p><del>3. International Accounting Standards No. 32 “Financial Instruments: Presentation” approved by Financial Supervisory Commission Jin Guan Zheng Shen Ji Order no. 1030010325 on April 3rd 2014.</del></p> <p><del>4. International Financial Reporting Standards No. 7 “Financial Instruments: Disclosures” approved by Financial Supervisory Commission Jin Guan Zheng Shen Ji Order no. 1030010325 on April 3rd 2014.</del></p>	<p>Statutory Basis</p> <p>The Company has formulated these procedures in accordance with the regulations of Article 36-1 of the Securities and Exchange Act (hereafter referred as the Act) and the standards for Public Company Acquisition or Disposal of Assets.</p>	Amended with the provisions of the law
Article 4	<p>Principles and Guidelines</p> <p>3.Division of Responsibilities</p> <p>(a) Board of Directors:</p>	<p>Principles and Guidelines</p> <p>3.Division of Responsibilities</p> <p>(a) Board of Directors:</p>	Amended with the provisions of

Article No.	The current Article	The Amended Article	Reasons for Amendment
	<p>(1) Make decisions concerning formulation and amendment of these procedures.</p> <p>(2) Assign senior executives to supervise and control the risks of derivatives trading described herein at any time. <del>and to sign the relevant contracts and handle account matters on behalf of the Company.</del></p>	<p>(1) Make decisions concerning formulation and amendment of these procedures.</p> <p>(2) Assign senior executives to supervise and control the risks of derivatives trading described herein at any time.</p>	the law
Article 4	<p>Principles and Guidelines</p> <p>3.Division of Responsibilities</p> <p>(g) Accounting Department:</p> <p>(3) The disclosure of derivative products transactions in financial reports (quarterly, annually) shall be in accordance with <del>Paragraph 3 and 4 of</del> Article 2 hereof.</p>	<p>Principles and Guidelines</p> <p>3.Division of Responsibilities</p> <p>(g) Accounting Department:</p> <p>(3) The disclosure of derivative products transactions in financial reports (quarterly, annually) shall be in accordance with Article 2 hereof.</p>	Amended with the provisions of the law
Article 7	<p>Accounting</p> <p>2.Items to be disclosed: The relevant regulations and above generally accepted accounting practices shall be followed in deciding which items (such as the items listed in <del>Paragraph 3 and 4 of</del> Article 2) shall be disclosed.</p>	<p>Accounting</p> <p>2.Items to be disclosed: The relevant regulations and above generally accepted accounting practices shall be followed in deciding which items (such as the items listed in Article 2) shall be disclosed.</p>	Amended with the provisions of the law
Article 11	<p>These Procedures were made on May 19 2004. The first amendment was made on June 19 2009. The second amendment was made on April 9 2010. The third amendment was made on June 24 2016.</p>	<p>These Procedures were made on May 19 2004. The first amendment was made on June 19 2009. The second amendment was made on June 29 2010. The third amendment was made on June 24 2016. The fourth amendment was made on June 19,2020.</p>	To explain the amendment history of Articles of Incorporation

**Comparative table for Amendments to  
Rules of Shareholders' Meeting**

Article No.	The current Article	The Amended Article	Reasons for Amendment
Article 3	<p>(To convene shareholders meeting and meeting notice) The first, second and third items are omitted. 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 &amp; 43-6 of Securities &amp; 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.</p> <p>Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to</p>	<p>(To convene shareholders meeting and meeting notice) The first, second and third items are omitted. Matters pertaining to election or discharge of directors and supervisors, alteration of the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 hereof shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice. The convening of the shareholders' meeting has stated the full re-election of directors and the date of appointment. After the election of the shareholders' meeting is completed, the same meeting shall not change its appointment date by temporary motion or other means. Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to</p>	<p>Amended with the provisions of the law</p> <p>Amended with the provisions of the law Update item 5</p> <p>Amended with the provisions of the law and</p>

Article No.	The current Article	The Amended Article	Reasons for Amendment
	<p>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.</p>	<p>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. but a shareholder proposal urging a company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors. 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.</p>	<p>amend to item 6</p>
	<p>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.</p>	<p>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 acceptance of proposal in writing or by way of electronic transmission, 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.</p>	<p>Amended with the provisions of the law and amend to item 7</p>
	<p>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,</p>	<p>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,</p>	<p>Amend to item 8</p>

Article No.	The current Article	The Amended Article	Reasons for Amendment
	<p>the regular shareholders' meeting where at his/her proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposals submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.</p>	<p>the regular shareholders' meeting where at his/her proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposals submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.</p>	<p>Amend to item 9</p>
Article 16	<p>(Meeting minutes and signing items)</p> <p>The first, second items are omitted.</p> <p>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.</p>	<p>(Meeting minutes and signing items)</p> <p>The first, second items are omitted.</p> <p>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 voting results (including statistical weights) are recorded. When there are elected directors, the number of votes for each elected person shall be disclosed. The minutes shall be kept persistently throughout the life of the company.</p>	<p>In order to implement the case-by-case voting spirit, refer to the Asian Corporate Governance Association's proposal to amend item 3</p>

## Attachment 8

### List of Director Candidates

Title	Name	Education & Experience	Shareholding (Note)
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	89,000

Note : The collective shareholdings were shown as of April 21, 2020, the record date for the 2019 Annual Shareholders' Meeting.