

Stock Code: 3481

Innolux Corporation 2022 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:

<http://mops.twse.com.tw>

Innolux Annual Report is available at: <http://www.innolux.com>

Printed on March 31, 2023

A. Spokesperson & Deputy Spokesperson information.

Spokesperson

Name: Chu-Hsiang Yang
Title: President & COO
Tel: +886-37-586000
E-mail: ir@innolux.com

Deputy Spokesperson

Name: Li-Wei Hsu
Title: Senior Manager of Investor Relations Department
Tel: +886-37-586000
E-mail: ir@innolux.com

B Headquarters, Branches and Plants

Headquarter: No.160, Kexue Rd., Zhunan Site, Hsinchu Science Park	Tel: +886 37 586 000
Branch: No.21 Zilian Rd. and Fenghuali, No.9 Titanggang Rd., Xinshi District, Tainan City Plant	Tel: +886 6 588 9998
Fab T1: No.160, Kexue Rd., Zhunan Township, Miaoli County, Hsinchu Science Park	Tel: +886 37 586 000
Fab T2: No.168, Kexue Rd., Zhunan Township, Miaoli County, Hsinchu Science Park	Tel: +886 37 586 000
Fab T3: No. 12, Kejung Rd., Zhunan Township, Miaoli County, Hsinchu Science Park	Tel: +886 37 586 393
Fab A: No.1, Qiye Rd., Xinshi Dist., Tainan City, Southern Taiwan Science Park	Tel: +886 6 505 1881
Fab B: No.2, Sect. 2, Huansi Rd., Xinshi Dist., Tainan City, Southern Taiwan Science Park (excluding Rooms A&B)	Tel: +886 6 505 1889
Fab C: No.12, Nanke 8th Rd., Shanhua Dist., Tainan City, Southern Taiwan (excluding Rooms A&B)	Tel: +886 6 505 1880
Fab D: No.3, Sect. 1, Huansi Rd., Xinshi Dist., Tainan City, Southern Taiwan Science Park (excluding Rooms A&B&C)	Tel: +886 6 505 1888
Fab F: No.11, Luke 10th Rd., Kaohsiung City, Southern Taiwan Science Park (excluding Rooms B&7FA)	Tel: +886 7 627 8888
Fab T6: Room B, No.11, Luke 10th Rd., Kaohsiung City, Southern Taiwan Science Park	Tel: +886 7 627 8888
Touch Module Fab: Room B, No. 12, Nanke 8th Rd., Shanhua Dist., Tainan City, Southern Taiwan Science Park	Tel: +886 6 505 1880
N9 Fab: No.10, Nanke 9th Rd., Shanhua Dist., Tainan City, Southern Taiwan Science Park	Tel: +886 6 588 9998

C. Stock Transfer Agent

Grand Fortune Securities, Registrar & Transfer Department
Address: 6th Floor, No.6, Sec. 1 Zhongxiao W Rd., Zhongzheng Dist., Taipei City 10041, Taiwan
Website: <http://www.gfortune.com.tw>
Tel: +886-2-2371-1658

D. Auditors

PricewaterhouseCoopers
Auditors: Sheng-Chung Hsu, Hua-Ling Liang
Address: 27th Floor, 333 Keelung Rd, Sec. 1, Taipei, Taiwan
Website: <http://www.pwc.tw>
Tel: +886-2-2729-6666

E. Overseas Securities Exchange: N/A.

F. Corporate Website: <http://www.innolux.com>

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I. Letter to Shareholders

1.1 Report on operating results for 2022

The world is in a turbulent period, and the changes in economic, geopolitical and ecological fields will all affect the global prospect. Inflation has soared to the highest level over the past decades, driving various countries to rapidly tighten monetary policy and families to reduce their budgets. Many low-income countries are facing severe financial difficulties, despite of the gradual decrease of the financial support for COVID-19. At the same time, the Russian war against Ukraine and tensions elsewhere have increased the likelihood of major geopolitical unrest.

The global economy is facing serious challenges, and three powerful factors will have far-reaching influence: first, whether the military conflict between Russia and Ukraine is pacified, or involves more countries; second, the persistence of inflationary pressures triggers a cost-of-living crisis, and central banks of various countries have to raise interest rates and use other financial instruments to curb inflation, the resultant side effects will lead to investment slowdown in addition to short-term exchange rate fluctuations, which are potential risk factors for the medium- and long-term economic trend; third, the slowdown in China's economic growth and the intensifying tense situations between the U.S. and China from trade war to technology war have led to a reshuffling of the supply chain of the global high-tech industry.

According to the World Economic Outlook Update released IMF (International Monetary Fund) in January 2023, the global economic growth rate is estimated at 3.4% in 2022 and is expected to drop to 2.9% in 2023. More than one-third of the global economies will shrink this year or next year, and the three largest economies, the United States, the European Union and China, will remain in a state of growth stagnation. In short, the worst is yet to come, and many people will feel 2023 as a recessionary year.

The technology industry continues to move toward cross-boundary integration and transforming upgrading, which is specifically carried out on strategies for the upgrading of technology, creating product value, new ventures, and field construction, echoing the Company's 3Vs business strategy. The Company will continue to adjust its business strategies, refine new technologies, develop new applications, continuously increase the added value of its products, pursue high-end technology products and develop emerging markets in order to lead the further progress of industry, provide our customers with high-quality and competitive products, and create maximum benefits for the Company, its shareholders, customers and partners through the improvement of technology and overall product quality.

1.1.1 Results of Business Plan Implementation

For 2022, the Company's consolidated sales revenue was NT\$ 223,715,758 thousand, down NT\$ 126,360,932 thousand, or 36.1%, compared with 2021 (2021's consolidated net sales revenue was NT\$ 350,076,690 thousand). For 2022, the loss attributable to owners of the parent was NT\$ 27,990,256 thousand, and the loss per share was NT\$ 2.76.

1.1.2 Results of Budget Execution

No financial forecast has been disclosed for 2022, therefore there is no need to disclose budget execution.

1.1.3 Analysis of Financial Income and Expenditure and Profitability

Items		2021	2022
Capital Structure (%)	Debts to assets ratio	34.81	34.07
	Ratio of long-term capital to property, plant, and equipment	209.21	179.28
Solvency	Current ratio (%)	150.85	178.27
	Quick ratio (%)	114.28	137.64
	Time interest earned (times)	64.88	(27.64)
Profitability	Return on total assets (%)	13.77	(6.39)
	Return on equity (%)	21.22	(10.01)
	Operating profits as a percentage of paid-in capital (%)	59.39	(33.13)
	Net profits before tax as a percentage of paid-in capital (%)	59.10	(27.44)
	Net profit margin (%)	16.44	(12.48)
	Earnings per share (NT\$)	5.53	(2.76)

1.1.4 Status of Research and Development

As the semiconductor front-end foundry industry continues to reduce chip size, it has become a trend to expand and integrate multiple functions in a single chip, and the I/O pin-count required has also increased. In consideration that this demand has reached its limit in traditional packaging technology, a large demand for advanced fan-out packaging emerges. The Company has entered the semiconductor packaging field with our Thin-Film Transistor (TFT) semiconductor process technology, i.e. Fan-Out Panel Level Package (FO-PLP), which is fully reflected in large size panels (beyond the size of packaging and carrier industry). We have the process technology capability to produce tiny circuits with high yields, and can develop high-density layout design to improve production efficiency. Low contact resistance can improve the electrical characteristics of the wafer, and unique 6-sides packaging technology can improve the reliability of the wafer (MSL1) to meet the rapidly expanding market demand; our products include automotive chips with strong growth but high reliability requirements, and power driving and management chips with high voltage/high frequency/high current. In particular, we are developing packaging technologies that meet the needs of third-generation semiconductors (SiC, GaN), and innovative packaging technologies with built-in antennas and modular heterogeneous integration. The purpose for the Company to develop advanced packaging business is not only to enter the field of semiconductor manufacturing, but also to fully revitalize the old generation TFT-LCD panel production lines that have lost their competitiveness, so as to build a sustainable growth momentum for the future with a reasonable investment, provide customers with more competitive products and create greater profit for the Company and shareholders.

We have been working on AM microLED, the third generation flat panel display technology, for many years. We have independently developed color conversion technology, LED chip on TFT glass (COG) mass transfer and repair technology, innovative splicing and surface treatment display technology, and by vertically integrating the above new technologies, we have completed the P0.6mm color conversion microLED seamless free splicing display module, which is featured by high definition, high color saturation, excellent ambient light contrast, and seamless splicing. We are committed to opening up a new field of next-generation display applications. The main application targets are new niche markets of large space HD immersive experiences and NFT digital art show; with the advantages of high black ratio, high brightness, ultrahigh ambient contrast ratio, high color saturation, high-definition dynamic picture quality and free splicing size (55"~220"), the new display shapes break the traditional art framework and perfectly conveys a new look of digital art. Compared with traditional LED displays, color-conversion microLED technology has excellent picture quality, high reliability, wide viewing angle, low cost, low power consumption and many other excellent features, which will further develop innovative applications in various virtual-real integration fields. Our microLED technology platform is also applied to the development of wearable watches and automotive display solutions.

For wearable watches, we have developed a high pixel density (1.1" 338 PPI) microLED wearable watch with excellent features such as ultra-high pixel density (338 PPI), high resolution, and low power consumption, which can bring users a new high-definition and exquisite visual experience in both outdoor visibility under bright sun and indoor color vividness. In the microLED development blueprint, the Company starts from the large splicing display niche market and builds brand new eco-chain and mass production technology for microLED industry, and actively invest in the mainstream market of high volume and high growth display such as smart mobile and wearable devices

to create a new opportunity for value transformation.

For automotive display applications, we have developed 229 PPI high-resolution 9.6" microLED automotive display. The rise of AI, 5G and Internet of Things technologies will accelerate the increase in demands for smart hardware and software integration and diversified display applications in the automotive market. In the future, we will further cooperate with CarUX, a subsidiary of the Company, to develop an integrated cockpit display system to create an immersive cockpit experience for both driver and passengers with the excellent features of microLED display technology, including high-definition, high brightness, high color saturation, excellent ambient light contrast, and high temperature resistance. In addition, the ultra-low reflection and high brightness of the display surface provide excellent visibility in dazzling and snowy conditions, which greatly enhances active driving safety. CarUX, a subsidiary of the Company, makes continuous improvement to provide new driving experience solutions. Based on innovation, it has developed the visual experience suitable for cockpit, and combining with the appearance modeling technology and curved display technology of automotive interior design, it can complete the design, development and production in the factory for automotive displays (research and development, design, manufacturing and system integration) and even automotive interior technology services. It is committed to providing customers with one-stop customization services to create a win-win situation with our customers. In addition to the styling advancement of display panels, the high security protective glass required for automotive displays is also the focus of our vertical integration to achieve the stringent requirements of high uniformity, low reflection, and anti-glare for automotive regulations at various viewing angles.

With the emergence and rise of new applications such as online gaming, metaverse and artificial intelligence, the virtual reality market is growing rapidly and display technology is improving. The Company expects to launch 4K VR (2117ppi) LCD technology with low power consumption this year, which solves the problems of excessive power consumption and overheating of high resolution panels. This technology provides 90/120Hz high-frequency drive, over 40PPD ultrahigh resolution and energy-saving design, which will be a model for next generation VR displays in the future. We always consider technology innovation as our key development strategy, and continue to invest in R&D to develop competitive products to meet market needs. We have been the first to introduce the industry-leading 1411ppi TFT-LCD technology, and mass-produced the highest-resolution (1200ppi 2K2K) products in the market to maintain our leading position. We continue to develop high quality, low energy consumption, energy-saving and environmentally friendly products to meet market demand and create value to bring better returns for our shareholders.

In the development of augmented reality (AR), we are working with customers to develop LCD dimmers with dynamic dimming function, which can be embedded in augmented reality (AR) head-mounted display devices. This is the first device in the world that can realize two dimming functions, i.e. full dimming and segmented dimming. Full dimming function can automatically dim the ambient light source to ensure that virtual content remains clear in bright environment. Segmented dimming function can selectively dim specific areas of the display to make virtual content easier to view. This dynamic dimming technology enhances the AR experience, virtual contents can be displayed reliably even outdoors or in other bright environments, thus significantly expanding the application scenarios of AR devices. Our dynamic dimming technology is an important breakthrough in solving the sense of reality problem of virtual contents in optical see through head-mounted AR devices. This pioneering technology will help the Company to grow more strongly in the AR market.

With its world-leading N3D technology, the Company has developed an exclusive "consumer multi-person naked eye N3D display" based on intuitive 3D images which do not cause dizziness even after prolonged use. This product can be applied to smart retail. In addition, the "Medical-use Naked Eye 3D Display" developed for medical field has been awarded the 2023 Taiwan Excellence Gold Award and we are actively cooperating with medical centers to conduct human clinical trials and field demonstrations, promoting its applications in smart medical field, and providing a more intuitive experience in medical teaching and surgical assistance.

Based on our industry-leading technology, we have successfully mass-produced the first generation of LC Meta-Surface Antenna. In response to the high-speed movement characteristics of low-orbit satellites, the ground antenna needs to have a faster satellite tracking capability to maintain high-speed communication. Combined with flat panel display manufacturing process and panel-level packaging technology, we are actively developing the second

generation of Phased Array antennas. This breakthrough technology will bring revolutionary innovations in satellite communication and other wireless communication fields. Compared with traditional dish antennas, the LC Meta-Surface Antenna can track satellites without the need for a motor device, is lightweight and flat, and has the same broadband, high pointing and wide angle scanning performance with lower power consumption, so is very suitable for the future development of low-orbit satellite communication, autonomous vehicles, satellite IoT (Internet of Things) and radio communication for rescue purpose.

Following the smart business opportunities of digitization, display technology will create a new pattern of smart entertainment, e-sports, and arts and culture displays. We have developed the industry-leading exclusive “PolarBlack technology”, which breaks through the limits of color gamut, contrast and brightness of notebook panels, has the features of ultra-high contrast, ultra-wide color gamut, high brightness and low power consumption and passes the German TUV Rheinland eye protection certification. Our innovative PolarBlack LCD technology can significantly reduce light hazards, and provide the purest white-black contrast images in both dark and bright scenes, thus realizing clearer dark details and more exquisite picture quality. With outstanding performance, it can stand out in e-sports and high-end business laptops, subverting the consumers’ experience.

In small and medium-sized panels market, the Company continues to develop diversified sizes from 1.4" to 17", and our products are widely used in mobile devices and consumer electronics, including smartphones, tablet PCs, smart home appliances, smart speakers, smart watches, VR head-mounted displays, DVC, DSC, multi-function printers, 3D printers and entertainment game consoles. The small and medium-sized panels are developing towards new specifications such as high resolution, high brightness, low power consumption, dynamic refresh rate, wide color gamut, thin and narrow bezel to increase product value. We are also committed to integrating miniLED backlight technology into a wide range of applications to provide next generation display products with high contrast, high brightness and ultralow power consumption, such as DSC screens and 17.3" 4K2K products, which are already in mass production and bring high value. At the same time, we are also thinking about our product strategy, focusing on special outdoor applications (drones, DVC, DSC), and repositioning LCDs with miniLED backlight to upgrade their high brightness specifications and high efficiency features to open up new markets. We continue to focus on increasing the share of high niche products and break through the technology limits to lead the industry, including the VR/AR for metaverse. For VR, we use the LTPS process to mass produce 1200ppi products, invest in 1411ppi high resolution technology, and upgrade miniLED backlight and LTPO technology development and introduction; for 3D printer, 12K high resolution products have been mass produced. In addition, we continue to research and develop 16K ultra-high resolution products and increase the investment in small and medium-sized products.

In smart retail, the Company has joined hands with Japan Medical Co., Ltd. to create smart cosmeceuticals, provide a variety of cross-field applications and software-hardware integration solutions, showcase the new look of smart retail, and develop “Magic Shelf”, “AI Pharmacist” and other smart retail solutions to assist in improving the shortcomings of cosmeceuticals stores. The Magic Shelf provides 3D modeling for tens of thousands of indication drugs, health care products and thousands of beauty products. The 60cm and 90cm touchscreens and 36" advertising screens are equipped with AI image recognition system, and the cameras are set to actively obtain images of products on the shelf according to time period and specific time, sense product conditions timely, and automatically change shelf labels, thus significantly reducing work of sales clerks. Through the introduction and application of AI, the Company and Japan Medical Co., Ltd. provide customers with a better shopping experience. This is also part of the Company's transformation plan centered on smart retail, which aims to develop new applications and business models, hoping to create a model case of AI cosmeceuticals, connect to the international market, and build new business opportunities in the industry.

In response to the demand for intelligent transportation, the rise of public transportation trams and electric buses has led to a huge demand for passenger information displays, and the Company provides a series of bar-type displays (with different aspect ratios) for different space requirements to meet the needs of different applications, provides products with high brightness, high weather resistance, and three proofings (waterproof/ dustproof/ explosion-proof), and develops vehicle-mounted displays with vibration resistance and low power consumption for transportation network information transmission and real-time policy promotion or advertising information transmission. We are fully prepared to welcome the era of intelligent transportation.

After the epidemic of COVID-19, a large number of outdoor activities bring about a new wave of business opportunities. We are leading the industry in developing high-brightness and weather resistant displays for outdoor applications, which can provide clear images under sunlight or rain for audio-visual entertainment, advertising, and sports events. In addition, the popularity of charging pile with display brings unlimited advertising benefits to meet more potential consumer demands.

1.1.5 The Company's Digital Transformation

The whole company has been committed to promoting digital transformation for many years, improving operational efficiency and driving business process change based on Industry 4.0 technology, and has accumulated many fruitful results. In 2021, we were recognized by the World Economic Forum (WEF) as a lighthouse factory for intelligent manufacturing, and became the first panel manufacturer in Taiwan to receive this honor. To date, we have completed more than 340 types of smart projects and trained more than 3,800 digital transformation-related talents, deepening the foundation for digital transformation. In 2022, we expanded the scope and depth of digital transformation to further enhance the product delivery cycle (from product demand, supply chain management, capacity scheduling, logistics to product delivery to customers) and optimize the product design cycle (including market analysis, new product planning, digital simulation, production execution, intelligent inspection, quality enhancement and product iteration). This not only covers the entire value chain, but also adds value of green design, green production and green logistics to make contribution to ESG performance. The whole company continues to improve its technology and management capabilities, make full use of intelligence to drive digital transformation towards business model transformation, help improve financial indicators through business process optimization, invest in the sustainable development of the environment, and explore new business opportunities to increase the profit margin.

In 2022, the Company held the “New Product Technology and Digital Transformation Achievement Exhibition”. We give full play to the driving forces of digital transformation, technology enhancement, and talent cultivation to lead the Company into a new industrial development stage of T-type cross field, dynamic integration, and shared prosperity. The exhibition focused on the new product technology and digital transformation achievements, and more than 60 exhibits were presented and 10 seminars were held in aspects of human resources, product development, market operation, technology added value, supply chain, front and back-end manufacturing fields, scheduling planning, digital factory, abnormality detection, equipment health, intelligent security, quality management and sustainable management. Among them, the intelligent carbon regulation monitoring platform built based on the digital transformation results was deeply appreciated and trusted by customers. This event once again demonstrated our strong intelligent manufacturing strength and excellent intelligent operation competitiveness, which not only realized interdisciplinary talent cultivation, but also to injected new energy for prospective R&D technology through digital transformation.

Under the operation of dual transformation strategy, with the original advantage and flexible cross-field ability, we create new application fields and inject new vitality into the industry. We continue to combine big data and artificial intelligence to link front and back-end intelligent factories and build decentralized decision-making systems to achieve technological improvement, productivity multiplier benefits and immediate value customers' service.

1. Intelligent manufacturing:

Our intelligent manufacturing integrates three development axes - X-axis (automation), Y-axis (data), and Z-axis (intelligence), and closely combines three types of talents (field experts, data scientists, and data technology experts). After years of hard work, the Company not only independently designs, develops and builds the world's first full-automatic panel assembly line, but also has the following advanced 4.0 technologies, which are applied in various areas of the factory:

- (1) Precision design: The design combines Digital Twin technology to build a digital factory that helps factories simulate the impacts of bottleneck capacity and product configuration on production cycles and the optimal LCD pairing process, improve intermediate warehouse level, and provide the decision aids for most appropriate production line planning and equipment capital

expenditure of the factory.

- (2)Intelligent production: From pre-production intelligent scheduling, intelligent DOE, intelligent dispatching...etc. to in-production and post-production equipment health diagnosis, virtual measurement, intelligent parameter monitoring, intelligent feedback control, intelligent logistics, intelligent monitoring, intelligent abnormality analysis...etc. We also introduce the process system engineering to drive RPA to automatically execute routine work by process, which significantly improves efficiency and quality. All 4.0 Solution technologies are integrated into a highly intelligent Zero Worry factory with self-awareness, memory, operation, response and learning.
- (3)Intelligent inspection: Develop AI inspection technology to replace manual visual inspection with image big data, and independently develop AI inspection machine, significantly reducing inspection manpower, saving equipment cost and improving overall inspection quality. It could not only apply to panel inspection, but also expand the applying scope to use X-Ray in Smart Healthcare and Smart Detection for Industrial use, thus effectively solving the visible, unseen, and even invisible product reliability related defects.

In addition to the above three aspects, we further facilitate intelligent energy saving/ intelligent factory administration/ intelligent storage/ intelligent security/ intelligent personnel management, etc. With overall increase in quality and efficiency and reduction in costs and inventory and other bright results.

2. Intelligent operating advancement:

Through the efforts from 2021 to 2022, we have achieved many transformation results. In the second half of 2022, we entered the Digital Transformation Stage 3.0, that is, we will promote the strategic project of cross-field connection covering the entire process and integrate innovative business models to directly create revenue and profit. The Company promotes intelligent management in all aspects to optimize the quality and efficiency of decision making, and effectively link various functional platforms & processes to increase the company value; provides multi-dimensional, more real-time, and more accurate visual decision support information to assist decision makers in managing risks and creating opportunities; extends to executive layer for advancement to improve operational efficiency at all levels, interact, link, and implement the execution results, and strengthen partnerships and business linkages; not only enhances the intelligent manufacturing competitiveness and sustainable operation capability, but also strengthens corporate competitiveness.

The Company will continue to promote the concept of "Transformation, Reengineering, and Value Advancement" to create a new landscape for next-generation display and new display technology applications through digital transformation and to solidify its leading position in the display technology industry. From automation, datamation to intelligentization, we have built a comprehensive intelligent ecosystem with our unique transformation strategy (XYZ axis) to assist the digital transformation of new businesses, expand application fields, and successively harvest value-added results to witness the operating results of transformation.

1.2 Summary of Business Plan for 2023

1.2.1 Make value-added advancement, and improve the ecosystem of smart display industry by adding value:

1. "CarUX" has grown from a component supplier to a first-tier supplier for automotive applications, and its large-size FIDM (Full Integrated Display Module) enhances user experience by combining with the user scenario.
2. With X-ray detector as its core technology, "InnoCare Optoelectronics Corp." has been working in the medical field for many years and maintaining its leading position in the X-ray detector market. In the future, it will continue to develop the smart medical market, move from hardware design and manufacturing to software AI and smart platform services, accelerate the building of the ecosystem, and strive to be listed on the stock market in 2023.
3. We are investing in special-shaped/large-size curved, microLED, miniLED, VR LCD, HD 8K supersize, narrow edge/thin/full screen technologies to meet future needs, and pursue the ultimate efficiency while taking into

account market value.

1.2.2 Interdisciplinary Innovation, Panel Everywhere:

1. Relying on FO-PLP panel-level fan-out packaging technology, we enter the semiconductor packaging and testing business to capture the automotive and mobile device chip packaging market.
2. Smart liquid crystal window (LCW) can be produced in various sizes and shapes based on customized orders through exclusive and complete process technology, which has thermal insulation, energy saving, and automatic lighting features. It can expand technology application and field promotion to respond to green economy.
3. Applications in multiple fields: Sustainable Technology Development 2.0 “Smart Rehabilitation and Smart Clinic” , 5G building, AIoT cosmeceuticals technology store “Smart Retail” , and cross-industry cooperation in digital transformation “Metro Taipei Digital Train” help the precision marketing and international export.

1.2.3 Making further development in Taiwan and industrial layout in the world - India project is launched:

1. We have accumulated rich operation experience in TFT-LCD industry, and our factories have complete production lines from third generation to the latest eighth generation full-automatic production line. We are the first to obtain the certification of lighthouse factory in the panel industry by the World Economic Forum (WEF). Our operation and management scope spans from small-size mobile panels, automotive displays, medium-size laptops and desktop screens, TVs, and supersize public display devices, which are our intangible assets and competitive advantages.
2. According to the comprehensive survey of the global market, the emerging markets have the advantages of demographic dividend and high economic growth, especially in the global supply chain restructuring process, and the opportunity to capture the emerging markets has emerged. With our manufacturing and operational strengths and the local resources in the Indian market, we will drive a new wave of market growth and expand the sustainable competitiveness of our supply chain by positive feedback cycle.

1.2.4 Implementing “InnoLux 3Gos” under the leadership of Net Zero:

1. “InnoLux 3Gos” (Go Green, Go Responsible, Go Sharing) sustainable development strategy is integrated into the organizational culture and daily operations. We have been awarded the National Sustainable Development Award, and are the only award-winning company in the panel industry. We also build the world's first automated LCD recycling factory.
2. Establish the Carbon Risk Management Committee: In response to the 2050 net zero carbon emission vision, we have formulated a carbon reduction strategic plan, including the introduction of ISO 50001 energy management, waste reduction, circular economy, low-carbon logistics and transportation, renewable energy development, and the establishment of internal carbon pricing, to implement the transformation from low carbon to zero carbon.
3. Cooperate with the supply chain to achieve “Group Emission Reduction”: respond to environmental sustainability and green production, achieve the dual benefits of cost reduction and carbon reduction, and seize the key position in the green supply chain.

After surviving the multiple negative impacts of the economic environment in 2022, we enter a new transformation stage in 2023, which is also the 20th anniversary of the establishment of our company. Based on the core concept of “More than Panel”, we will continuously improve the product quality to make the panel not only have hard technology, but also have sustainability and digital technology to stimulate new innovation; we will practice entering the market application from the terminal demand combined with the display panel, create a sympathetic connection from the human experience in five senses, and start a full range of field applications to implement the 3Vs business strategy (Create Value, Drive Value, Share Value); in addition, the Company will utilize its TFT-LCD R&D and manufacturing talents and supply chain management experience to optimize and upgrade its production capacity and processes through investment and strategic partnership, and enhance its

operating capacity and corporate transformation value. In addition to building up the strength of our own business, we will continue to fulfill our corporate sustainability values and corporate citizenship responsibilities, and we will uphold our original intention and forge ahead firmly to pursue a sustainable future and a good shared society. We hope all shareholders could continue to provide your support and encouragement. Lastly, I wish everyone good health and the best of luck. Thank you.

Chairman: Jin-Yang Hung

Managerial Officer: Chu-Hsiang Yang

Chief Accountant: Kun Ma

II. Company Profile

2.1 Date of Incorporation: January 14, 2003

2.2 Company History

January 2003	Inception and registration of the Company
March 2003	Invested in a subsidiary, Innolux Holding Ltd.
May 2003	Ground breaking ceremony for the TFT and Color Filter Plant in Zhunan
August 2003	The TFT and Color Filter Plant in Zhunan commenced construction
March 2004	Entered into a 7-year NT\$ 20 billion syndicated loan contract with a syndicate including Bank of Communications
June 2004	Machinery installation started in the TFT factory and Color Filter Plant in Zhunan
September 2004	Birth of the first TFT-LCD panel
October 2004	Invested in Innocom Technology (Shenzhen) Ltd. in China
January 2005	Public issuance of the Company's shares approved by the Financial Supervisory Commission
February 2005	Invested in Innolux Corporation Ltd. in the U.S.
March 2005	Obtained ISO 9001 certification Granted the "2005 Outstanding Award in Making the Science Park Green by Planting Trees" by the Science Park Administration
July 2005	Registered as an emerging stock on the Taipei Exchange Obtained ISO 14001 and OHSAS 18001 certifications
August 2005	Ranked 51st nationwide in actual import/export performance in 2004 Granted the Excellent Award in Import/Export Performance by the Ministry of Economic Affairs and Bureau of Foreign Trade
November 2005	Recognized as an outstanding waste disposal model factory by the Environmental Protection Administration, Executive Yuan
December 2005	Recognized as an Occupational Safety and Health Administration Voluntary Protection Unit by the Council of Labor Affairs, Executive Yuan
October 2006	Shares became listed on the Taiwan Stock Exchange on 24 October
November 2006	The Board passed the resolution of merging with Jemitek Electronics Corp. on 21 November
March 2007	Completed merger with Jemitek Electronics Corp.
June 2007	Invested in InnoJoy Investment Corporation
August 2007	Invested in InnoFun Investment Corporation
November 2007	Global Deposit Receipts became listed on the London Stock Exchange on 7 November
June 2008	Topping out ceremony for the sixth generation factory of the Company
July 2008	Granted the "Outstanding Award in Making Green by Planting Trees" by the Science Park Administration Recognized as one of the TOP 10 Leading Companies among the "Taiwan Technology Top 100" Ranked sixth among Deloitte Technology FAST50 Taiwan in terms of profit growth
September 2008	Entered into a 5-year NT\$ 24 billion and US\$ 200 million syndicated loan contract with a syndicate of 20 banks including Mega International Commercial Bank Selected as one of the 12 units in the national industrial group by the Water Assessment Programme organized by the Ministry of Economic Affairs
October 2008	Received the Bronze Award of the National QCC Competition from the Corporate Synergy Development Center of the Industrial Development Bureau, Ministry of Economic Affairs Granted the 2008 Excellence Award in Recycling and Reducing Waste Production by the Environmental Protection Administration, Executive Yuan
November 2008	Recognized as a nationwide friendly workplace in 2008 by the Council of Labor Affairs, Executive Yuan

December 2008	<p>Granted the 2008 Outstanding Water Conservation Award by the Water Resources Agency, Ministry of Economic Affairs</p> <p>Honored with the "2008 Taiwan CSR Awards-Silver Award" by the Taiwan Institute for Sustainable Energy</p>
February 2009	Innolux Display's Fab T1 passed and obtained the Taiwan Occupational Safety and Health Management System (TOSHMS) certification
April 2009	Innolux Display's Fab T1 was granted the excellent award in achieving zero work accident hours by the Council of Labor Affairs
May 2009	Innolux Display's Fab T2 obtained ISO 9001/ISO 14001/OHSAS 18001/QC 080000 4-in-1 management system certification
June 2009	Granted the 2008 excellent personnel award by the national Labor Safety and Health Partnership of the Council of Labor Affairs
September 2009	<p>Issued the 2008 Sustainability Report of Innolux Display</p> <p>Innolux Display's Fab T0, T1, and T2 obtained the TS 16949 quality system certification</p>
October 2009	<p>Innolux Display announced a merger with TPO Displays Corp.</p> <p>Honored with the "Energy Conservation Outstanding Innovation Award" by the Bureau of Energy, Ministry of Economic Affairs</p>
November 2009	<p>Innolux Display announced a merger with Chi Mei Optoelectronics Corporation</p> <p>Entered into an NT\$ 48 billion syndicated credit facility with a syndicate of 19 banks including Mega International Commercial Bank</p> <p>Received two Bronze Awards of the National QCC Competition from the Corporate Synergy Development Center of the Industrial Development Bureau, Ministry of Economic Affairs</p> <p>Granted the excellent award in low carbon production and waste reduction by the Industrial Development Bureau, Ministry of Economic Affairs</p>
December 2009	<p>Innolux Display was honored with the "2009 Taiwan CSR Awards-Bronze Award" for its 2008 Sustainability Report by the Taiwan Institute for Sustainable Energy</p> <p>Received the outstanding award in the "2009 Outstanding Energy Saving Companies Selection" from the Science Park Administration</p> <p>Recognized as the Best Managed Company in Taiwan by Asiamoney</p> <p>Granted the excellence award in environmental protection by the Science Park Administration</p>
January 2010	Obtained "Labeling of Energy Saving Action" from the Environmental Protection Administration
February 2010	Granted the excellent award for outstanding achievement on training and management for occupational health by the Council of Labor Affairs, Executive Yuan
March 2010	<p>Completed the merger with Chi Mei Optoelectronics and TPO Displays</p> <p>Innolux Display renamed as Chimei Innolux</p> <p>Granted the outstanding performance award in occupational safety and health on the occasion of the 2009 Nationwide Occupational Safety and Health Week, held by the Council of Labor Affairs, Executive Yuan</p>
May 2010	<p>Winner of Taiwan's Environmental Protection Administration's 2009 Enterprise Green Procurement Performance Award</p> <p>Recognized as an outstanding unit in achieving zero work accident hours by the Council of Labor Affairs, Executive Yuan</p>
June 2010	<p>18.5-inch LCD panel is awarded 2009 FPD green quality certification</p> <p>42-inch 120Hz+ MEMC is awarded the best integrated LCD panel at the Taiwan Gold Panel Awards 2010 with the 13 th Annual Outstanding Optoelectronics Product Awards</p>
September 2010	Awarded the Outstanding Energy Conservation Award by the Department of Energy, Ministry of Economic Affairs
October 2010	<p>Passed DNV third-party independent verification for its 18.5-inch LCD flat panel monitor (M185B1-L02), making CMI the first panel maker to receive a supply chain "water footprint" verification statement, Granted "the Excellent Environmental Protection Award" by the Science Park Administration</p>

November 2010	Granted the 2010 excellence award in recycling and reducing waste production by the Environmental Protection Administration Completed the merger with Chi Mei Energy
December 2010	Granted “the 2010 Outstanding Energy Saving Award” by the Science Park Administration Granted “the Excellent Award in Low-Carbon Management” by the Science Park Administration Granted “the 2010 Outstanding Award in Making Green by Planting Trees” by the Science Park Administration
January 2011	Became the first manufacturer to obtain “water footprint” verification for its product supply-chain with regard to its desktop LCD monitors and LCD TVs
February 2011	Honor Light Services Limited revoked
March 2011	2.65-inch and 5.3-inch Memory-In-Display (Midis) technology, which was a new energy-saving panel technology, obtained the Best Paper Award of the 17th IDW (International Display Workshops), Japan
April 2011	Honored with the 2011 Taiwan Excellence Gold Awards for its ultra-thin 13.3-inch HD notebook display module
May 2011	Kobe site was awarded the Best Safety & Hygiene Company by the Safety Management Committee of Kobe, Japan. Chi Mei Energy Netherlands revoked
June 2011	Won the Outstanding Photonics Product Award 2011 for its 21.5-inch PCT (Projected Capacitive Touch) display module by the Photonics Industry & Technology Development Association (PIDA). Honored with the “2011 Contribution to Job Creation” award by the Ministry of Economic Affairs and Council of Labor Affairs, Executive Yuan
August 2011	Ranked third among the “2010 Outstanding Export Growth Companies” by the Bureau of Foreign Trade, Ministry of Economic Affairs
September 2011	Granted the 2010 Enterprise Green Procurement Performance Award by the Environmental Protection Administration, Executive Yuan
October 2011	STSP Branch was honored with the “Jin-Jhan Award” by the Council of Labor Affairs, Executive Yuan. Honored with “National Industrial Safety and Health Award” by the Council of Labor Affairs, Executive Yuan
April 2012	Entered into the Joint Debt Restructuring Agreement with the syndicate
June 2012	Won the Outstanding Photonics Product Award 2012 for its 50-inch 3D Direct-Type LED panel by the PIDA.
August 2012	Honored with the “Taiwan Excellence Silver Award” for its 23.6-inch USB super energy-saving LCD screen
September 2012	Recognized as an outstanding unit for hiring disabled persons by surpassing the target Granted the 2011 Enterprise Green Procurement Performance Award by the Environmental Protection Administration, Executive Yuan and the only panel factory granted the award for four consecutive years and fulfilling its responsibility of a sustainable environmental protection enterprise Chi Mei Optoelectronics UK Limited revoked
December 2012	Changed its name to “群創光電股份有限公司” with the English name of “Innolux Corporation”
January 2013	Global depository receipts listed and traded on the Luxembourg Stock Exchange on 23 January Merger of the subsidiaries InnoJoy Investment Corporation and InnoFun Investment Corporation, in which InnoJoy Investment Corporation was the surviving company Eastern Vision Co., Ltd. liquidated
March 2013	Toptch Trading Limited liquidated Dragon Flame Industrial Ltd. liquidated

April 2013	<p>Nanhai Plant took the lead in obtaining the first MFCA material flow cost accounting certification in the world</p> <p>The Company's 65-inch 4K2K TV module was awarded the 21st "Taiwan Excellence Gold Award"</p> <p>The Company's 4.3-inch active organic light emitting display (TRUEOLED) was awarded the 21st "Taiwan Excellence Silver Award"</p> <p>The Company's 50-inch ultra-high resolution (4K2K) thin narrow frame LCD TV module was awarded the 21st "Taiwan Excellence Award"</p> <p>The Company's 30-inch six million pixel medical monitor was awarded the 21st "Taiwan Excellence Award"</p> <p>The Company's 5-inch Full HD LCD panel module was awarded the 21st "Taiwan Excellence Award"</p> <p>The Company's 3.4-inch active organic light emitting display was awarded the 21st "Taiwan Excellence Award"</p>
June 2013	<p>The Company's 65-inch ultra-high resolution thin narrow frame LCD TV module was recognized by the 16th "Annual Outstanding Optoelectronics Products Awards"</p> <p>Granted the first "National Environmental Education Award – Excellence Award for Private Enterprises Group" by the Environmental Protection Administration</p> <p>Innocom Technology (Jiashan) Co., Ltd. liquidated</p>
September 2013	<p>Ningbo Chi Mei Electronics Ltd. renamed as Ningbo Innolux Optoelectronics Ltd.</p> <p>Ningbo Chi Mei Optoelectronics Ltd. renamed as Ningbo Innolux Technology Ltd.</p> <p>Ningbo Chi Hsin Electrics Ltd. renamed as Ningbo Innolux Display Ltd.</p> <p>Ningbo Chi Mei Logistics Corp renamed as Ningbo Innolux Logistics Ltd.</p>
October 2013	<p>The Company's "Intelligent Automation" team was granted the "Annual Innovative Pilot Award" of the Industry Innovation Award for the one-stop touch innovative operating model by the Ministry of Economic Affairs</p> <p>Foshan Chi Mei Logistics Co., Ltd. renamed as Foshan Innolux Logistics Co., Ltd.</p> <p>TPO Displays (Nanjing) Ltd. renamed as Nanjing Innolux Optoelectronics Ltd.</p>
November 2013	<p>Awarded the 2013 Green Building Gold Mark by the Ministry of Economic Affairs</p> <p>Awarded the "Premium" honor of the 2013 Taiwan CSR Awards</p> <p>Full Lucky Investment Limited liquidated</p>
December 2013	<p>Selected as an outstanding water saving unit for 2013 by the Water Resources Agency of the Ministry of Economic Affairs</p> <p>Dongguan Chi Hsin Electrics Ltd. liquidated</p> <p>TPO Displays (Shanghai) Ltd. renamed as Shanghai Innolux Optoelectronics Ltd.</p> <p>Global Deposit Receipts listed on the London Stock Exchange delisted</p>
January 2014	<p>Plant T1 and Plant B, D, TOC, F (Tainan) awarded Health Promotion Label of Healthy Workplace Certification</p> <p>Ningbo site awarded Safe Standard Level 2 Corporation</p> <p>Chi Mei Optoelectronics (Singapore) Pte. Ltd. liquidated</p> <p>Sonic Trading Limited liquidated</p> <p>Innocom Technology (Xiamen) Co., Ltd. liquidated</p> <p>Merger of Nanhai Chi Mei Electronics Ltd. and Nanhai Chi Mei Optoelectronics Ltd., in which Nanhai Chi Mei Electronics Ltd. was the surviving company</p>
February 2014	<p>Foshan site awarded as an Advanced Corporation in Promotion of Environmental Protection in Si-shan town</p> <p>Ningbo site awarded as an Advanced Corporation in Safe Production and Workplace in Ningbo City 2013</p>
March 2014	<p>Honored with the Healthy Corporation Award for the 2014 Southern Science Park Ecological and Humanistic Marathon</p>

April 2014	<p>Nanhai Chi Mei Electronics Ltd. renamed as Foshan Innolux Optoelectronics Ltd.</p> <p>Honored with the Taiwan Excellence Silver Award for its 65-inch ultra-high-analytic 3D TV panel</p> <p>Awarded a certificate of recognition for offering disability employment opportunities to realize corporate social responsibilities by the Southern Taiwan Science Park Administration, Ministry of Science and Technology</p> <p>Innolux's 28-inch 4K2K and 23.6-inch touch panel won the "Taiwan Excellence Silver Award"</p>
September 2014	<p>Chi Mei Optoelectronics USA, Inc. renamed as Innolux Optoelectronics USA, Inc.</p> <p>TPO Displays USA Inc. renamed as Innolux Technology USA Inc.</p>
October 2014	TPO Displays Japan K.K. renamed as Innolux Technology Japan Co., Ltd.
November 2014	<p>Chi Mei Optoelectronics Europe B.V. renamed as Innolux Optoelectronics Europe B.V.</p> <p>TPO Displays (Shinepal) Ltd. renamed as Nanjing Innolux Technology Ltd.</p> <p>Chi Mei Optoelectronics Japan Co., Ltd. renamed as Innolux Optoelectronics Japan Co., Ltd.</p> <p>TPO Displays Hong Kong Ltd renamed as Innolux Hong Kong Ltd.</p>
December 2014	<p>Health Management Award and Nutrition Health Award by the Health Promotion Administration</p> <p>Granted 2014 Taiwan Sustainable Development Awards by National Council for Sustainable Development</p> <p>TPO Displays Hong Kong Holding Ltd. renamed as Innolux Optoelectronics Hong Kong Holding Ltd.</p> <p>TPO Hong Kong Holding Ltd. renamed as Innolux Hong Kong Holding Ltd.</p> <p>TPO Displays Europe B.V. renamed as Innolux Technology Europe B.V.</p>
February 2015	Signed an agreement for a syndicated credit line of NT\$68.5B with Bank of Taiwan and 15 other banks Innocon Technology (Chengdu) Co., Ltd. liquidated
March 2015	<p>The Company terminated the debt restructuring negotiation and canceled the debt negotiations</p> <p>Honored with the Enterprise Innovation Award of Excellence</p>
April 2015	<p>The Company's 100% high color saturation 4K2K TV module was awarded the 21st "Taiwan Excellence Gold Award"</p> <p>Awarded a certificate of recognition for social responsibilities by the Global Views</p>
July 2015	Innolux as an outstanding import/export company honored The Best Contribution Award of the MOEA's Award for International Trade 2015
August 2015	Foshan Innolux Optoelectronics Ltd was awarded International Carbon-Value Award in China
September 2015	Innolux named to Dow Jones Sustainability World Index
October 2015	<p>Awarded the Outstanding Energy Conservation Award 2015 by the Department of Energy, Ministry of Economic Affairs</p> <p>Completed the merger with Chi Mei EL corporation</p>
November 2015	<p>Inception and registration of Ningbo Innolux Electronics Ltd</p> <p>Innolux honored 2015 Taiwan Corporate Sustainability Report Award-Gold Award.</p> <p>Innolux marked 100 in disclosure score and listed as CDLI (Carbon Disclosure Leadership Index) 2nd year in a row in CDP.</p> <p>Gold union investments Limited liquidated</p> <p>Awarded the MOL TTQS Silver award</p>
June 2016	Ningbo site was awarded an Outstanding Foreign Company Contribution Award by China Zhejiang Investment and Trade Symposium.
July 2016	<p>Awarded Award for International Trade for consecutive 6 years and Target Market Contribution Award, the only multiple winner in 2016</p> <p>Fab 8 awarded "Best Performance in Water-Saving Unit" by the Water Resources Agency, Ministry of Economic Affairs.</p>
October 2016	Fab3 and T2 plant passed the Green Factory-Clean Production Certification of Industrial Development Bureau, Ministry of Economic Affairs.

November 2016	Awarded Taiwan Corporate Sustainability Awards-- Corporate Sustainability Report Golden Awards of ICT group.
	Awarded Taiwan Corporate Sustainability Awards--Sustainable Water Management Awards for its outstanding water management performance
December 2016	Innolux was granted the Innovative Product Awards by Hsinchu Science Park for its automotive display technologies: S Shape Display, 1-axis Curve Display, Curve with Touch Display
	Merger of the subsidiaries Ningbo Innolux Display Ltd. and Ningbo Innolux Technology Ltd., in which Ningbo Innolux Display Ltd. was the surviving company
February 2017	Honored with Taiwan Excellence Achievement Award and Taiwan Excellence Gold Award
	Asiaward Investment Limited liquidated
	Ningbo Innolux Logistics Limited liquidated
March 2017	Main Dynasty Investment Limited liquidated
	Sun Dynasty Development Limited liquidated
August 2017	Innolux ranks the 19th of the Large Enterprise Group in "2017 Common Wealth Magazine's Corporate Citizenship Award" competition
September 2017	Best China Investments Limited liquidated
	Magic Sun Limited liquidated
	Mega Chance Investments Limited liquidated
October 2017	Merger of the subsidiaries Nanjing Innolux Optoelectronics Ltd. and Kunpal Optoelectronics Ltd., in which Nanjing Innolux Optoelectronics Ltd. was the surviving company
December 2017	Merger of the subsidiaries Innolux Optoelectronics Japan Co., Ltd and Innolux Technology Japan Co., Ltd in which Innolux Optoelectronics Japan Co., Ltd was the surviving company and change the Company name into Innolux Japan Co. Ltd
	Merger of the subsidiaries Innolux Technology Europe B.V. and Innolux Optoelectronics Europe B.V. in which Innolux Technology Europe B.V. was the surviving company and change the Company name into Innolux Europe B.V.
February 2018	Merger of the subsidiaries Innolux Optoelectronics USA, Inc. and Innolux Technology USA, Inc. and Innolux Corporation, in which Innolux Optoelectronics USA, Inc. was the surviving company and change the Company name into Innolux USA, Inc.
August 2018	Innolux DST 3D touch phone won Taiwan Outstanding Product Award
September 2018	Innolux named DJSI World and DJSI Emerging Markets Index 2018
	Innolux Optoelectronics Germany GmbH liquidated
October 2018	VAP Optoelectronics (Nanjing) Corp liquidated
November 2018	Innolux Tainan Fab 3 awarded EEWH-EC
	Innolux awarded 2018 Taiwan Excellence Gold with DST 3D Touch technology
	Innolux awarded 2018 Taiwan Corporate Sustainability TOP 50 Awards
January 2019	Golden Achiever International Limited liquidated
July 2019	The Company won the 2019 Best Companies to Work for in Asia 2019 Awards
August 2019	Bright Information Holding Ltd. Liquidated
	The Company was selected as the 2019 CSR Corporate Citizenship Award of the World Magazine-Top 50 Enterprises in the Large Enterprise Group
September 2019	Innolux named DJSI World and DJSI Emerging Markets Index 2019
November 2019	The Company received the "2019 Sports Enterprise Certification" from the Ministry of Education
	The Company was awarded the "TOP50 Taiwan Enterprise Sustainability Award," the "Taiwan Enterprise Sustainability Report Gold Award," and the best individual performance "Circular Economy Leadership Award" by the Taiwan Sustainable Energy Research Foundation.
	The Company won the 2019 "Taiwan Excellence Award Quality Award"
	The capital reduction is NT \$ 97,110,719,770
December 2019	Innolux Tainan Fab B ecological community was selected as the community-type green building that won the Excellent Green Building Award in 2019

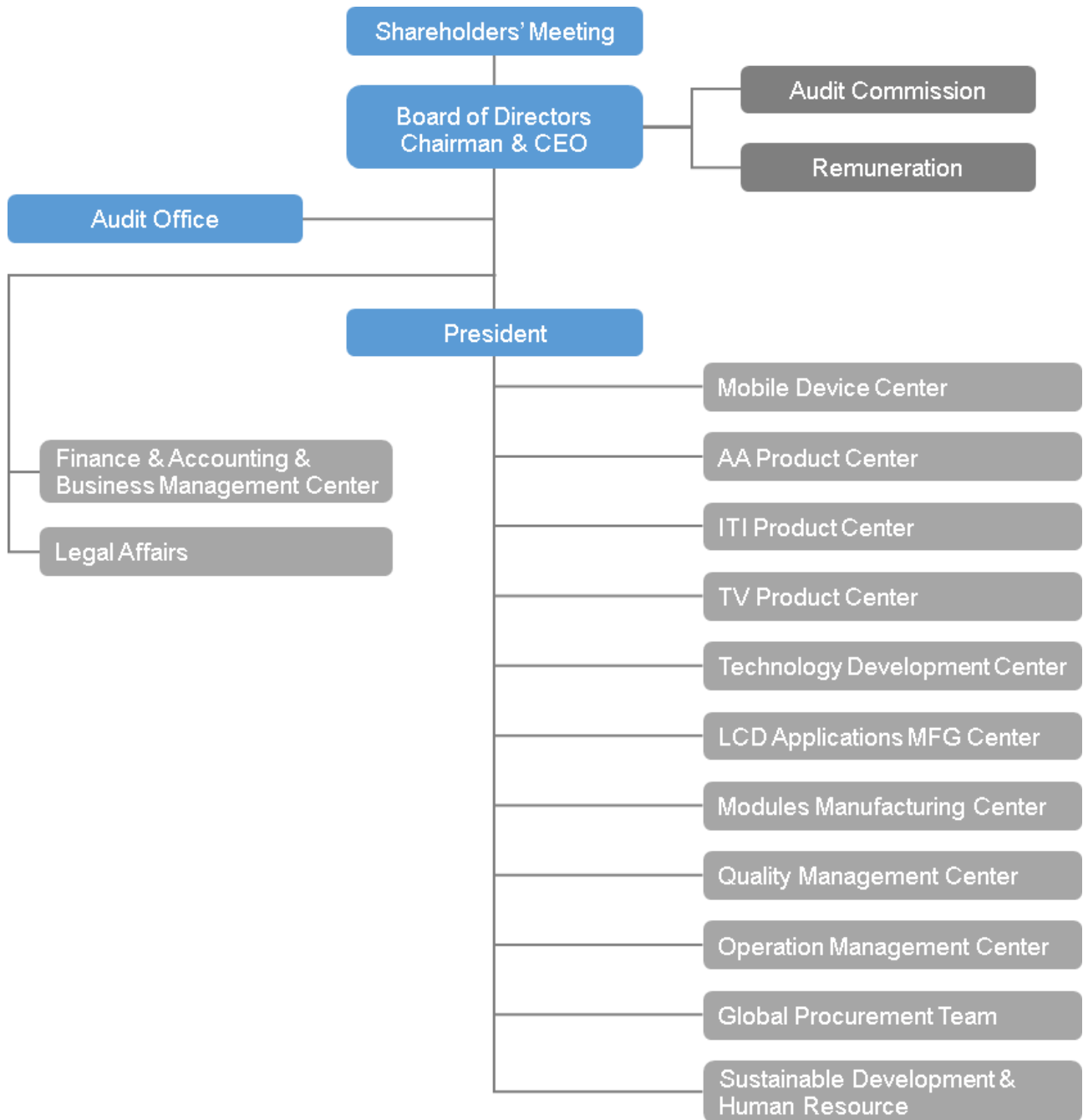
January 2020	Issued the 1st Overseas Unsecured convertible Bonds of US \$ 300 million
May 2020	Ningbo Innolux Flnet Electronics Ltd. liquidated
	Foshan Innolux Flnet Electronics Ltd. liquidated
July 2020	The Company was awarded “2019 GM Supplier of the Year” by General Motors
September 2020	The Company was awarded “Climate Change Management Excellence Award of 2020 SGS CSR Awards.”
October 2020	Shenzhen Innolux Automations and Intelligence Systems Co., Ltd. liquidated
November 2020	The Company was awarded “National Occupational Safety and Health Award- Enterprise Benchmarking Award,” due to create a high-quality employee workplace; therefore, won a highest honor
	The Company was picked as “DJSI World Index” and “DJSI Emerging Markets Index,” and the scope of society of the Company was the top one in display industry. Also, the Company ranked as benchmark enterprise
	The Company won four awards, which are 2020 TCSA “Taiwan Sustainable Enterprise Performance Award,” “Taiwan Enterprise Sustainability Report Silver Award,” “Circular Economy Leadership Award,” and “Sustainable Water Management”
	The Company was awarded 2 nd national environmental protection enterprise-silver award
	The Company was awarded a badge of 2021 Taiwan Excellence Awards, and “65" Infinity screen and thin 8K TV” won the silver award of 29 th , 2021 “Taiwan Excellence Awards”
December 2020	The Company’s “Fingerprint Sensor in Display” was awarded Excellent Manufacturer Innovative Product Award by Hsinchu Science Park
May 2021	Leadtek Global Group Limited liquidated
August 2021	The average of regenerated water rate in the manufacturing process, 96.2%, was among the top of Display Industry and the 10 plants of the Company were awarded "Best Performance in Water-Saving Unit" by the Water Resources Agency, Ministry of Economic Affairs
	The 1st Overseas Unsecured convertible Bonds of US \$ 300 million was all converted
September 2021	The Company was awarded “Investment in People of 2021” by Asia Responsible Enterprise Awards
	The Company won “Best Companies to Work For in Asia” by 《HR Asia》
	The Company won the award of intelligent manufacturing Lighthouse from World Economic Forum.
October 2021	The Company won risk rating as BBB by MSCI ESG
	The Company was recognized as the Healthy Workplace unit by Bureau of Labor Insurance
	The Company won Taiwan Sustainability Action Gold Awards
November 2021	The Company was picked as “DJSI World Index” and “DJSI Emerging Markets Index,” and the scope of society of the Company was the top one in Display industry
	The Company won six awards by 14 th TCSA Taiwan Corporate Sustainability Award, which are Taiwan Corporate Sustainability Award
	Taiwan Enterprise Sustainability Report -Gold Award
	Circular Economy Leadership Award
	Leader of Water Resource
	Innovative growth Leader
	Leader of supply chain
	The Company won the Gold medal for ESG for Health by CHR2021
	The Company won the Taiwan Excellence Award in 16 consecutive years
	Innolux Optoelectronics Malaysia SDN. BH Liquidated
December 2021	The Company won CDP (Climate Change) (B-)
	The Company won CDP (Water Security) (A-)
	Lakers Trading Limited Liquidated

	100% equity of Shenzhen PixinLED Technology CO., LTD was sold
	The Company's "Camera screens in Display" was awarded Excellent Manufacturer Innovative Product Award by Hsinchu Science Park
	The Company won National Talent Development Awards by Ministry of Labour
March 2022	Car UX Technology Inc. received ISO26262 and Automotive SPICE by DERKA
	Car UX Technology Inc. won 2021 Overdrive Award as part of General Motors' (GM) 30th annual Supplier of the Year awards
July 2022	The Company's highly efficient recycling green plant won the Circular Economy Leadership Award of the Asian Corporate Social Responsibility Awards AREA
August 2022	The Company won the Asia-Pacific and Taiwan Sustainability Action Award 2022
	Innolux Optoelectronics Philippines Corp. was closed down
	The Company's capital was reduced by NT\$ 10,031,639 thousand (by cash)
November 2022	The Company won the GCSA Global Corporate Sustainability Award
	The Company won the GCSA Best Case Award (Create a circular factory)
	The Company won TCSA-Taiwan's Top 100 Sustainability Model Companies, Sustainability Report Platinum Award, Climate Leadership Award, Information Security Leadership Award, Water Resources Management Leadership Award, Circular Economy Leadership Award, Talent Development Leadership Award, and Creative Communication Leadership Award
	The Company won the Merit Award for Large Enterprise Promoting the Employment of Middle-aged and Elderly Citizens granted by the Ministry of Labor
December 2022	The Company had been picked as "DJSI World Index" and "DJSI Emerging Markets Index" for five successive sessions
	The Company won the National Sustainable Development Award
	The Company won the 2022 Excellent Manufacturer Innovative Product Award by Hsinchu Science Park

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Name of Department	Responsibilities
Audit Office	Responsible for assessing the soundness of the internal control system and all the standards, checking whether the internal control system is operating effectively on a continual basis, measuring the operating results of the departments and providing improvement recommendations for efficient operation.
Mobile Device Center	Responsible for the sales, marketing, and product development of LCD wireless communication and audio-visual systems as well as production of panel production.
AA Product Center	Responsible for vehicle and aerospace product market development and customer service, development and testing of new technologies and new processes, and product manufacturing related matters.
ITI Product Center	Responsible for information and general product market development and customer service, new technology and new process development and testing, product manufacturing related matters
TV Product Center	Responsible for market development, customer's service and development, test new technologies and new processes of TV products.
Technology Development Center	Develop, improve, verify, and test new technologies and new processes.
LCD Applications MFG Center	Responsible for the production of large-size LCD panel products.
Modules Manufacturing Center	Responsible for the production of LCD module products.
Quality Management Center	Responsible for the quality management of the Company, providing the best and the most efficient quality management services (including quality control, product quality guarantee, quality system, and documentary management); and promoting the concept of total quality control.
Operation Management Center	Responsible for the industrial engineering and information system of the Company, work-flow efficiency improvement, capacity expansion planning, production efficiency enhancement, hardware and software infrastructure, and information system construction.
Global Procurement Team	Responsible for the overall procurement strategy of the Company, strategic planning of important parts and components, material preparation for the introduction of products and standardized cost management.
Sustainable Development & Human Resource	Responsible for overall human resources, environmental safety and health management policies to promote sustainable development and implement related issues.
Finance & Accounting & Business Management Center	Coordinate the business management and capital operating system of the Company; responsible for profits and losses of cost accounting, business strategy consultation, provide financial and accounting information, manage investment plans and risk aversion, and manage overall financial, investment, stock affairs, accounting, and tax matters.
Legal Affairs	Responsible for drafting and reviewing contracts; providing business-related legal consultation services.

3.2 Directors and Management Team

3.2.1 Directors

April 2, 2023; Unit: Shares

Title	Nationality/ Place of registration	Name (Note 1)	Gender /Age	Date Elected (Note 2)	Term (X)	Date First Elected	Shareholding when Elected		Current Shareholding		Shareholding of spouse and underage children		Shares held through nominees		Experience (Education)	Other Position	Spouse or relatives of second degree or closer acting as managerial officer or director		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	TW	Jin-Yang Hung	Male 50-59 yrs. old	2022.06.24	3	2018.06.21	1,116,752	0.01	1,161,224	0.01	—	—	—	—	MBA, Columbia University, USA Department of Business Administration, Special Assistant to Chairman, Innolux Corporation Associate VP, Foxconn Group President, TCC International Holdings Limited Managing Director, BNP Paribas Asset Management Executive Director, Goldman Sachs Group, Inc.	Note 3	—	—	—
Director	TW	Chu-Hsiang Yang	Male 50-59 yrs. old	2022.06.24	3	2019.06.20	1,871,337	0.02	1,771,040	0.02	7,197	—	—	—	M.S., Chemical Engineering, National Central University Vice President, Innolux Corporation Associate VP, Chi Mei Optoelectronics Corporation Deputy Section Manager, Chunghwa Picture Tubes, Ltd.	Note 4	—	—	—
Director	TW	Jyh-Chau Wang	Male 60-69 yrs. old	2022.06.24	3	2013.07.01	168,000	—	152,040	—	—	—	—	—	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	Chairman, Innolux Education Foundation Director, InnoCare Optoelec- tronics Corporation	—	—	—
Director	TW	Chin-Lung Ting	Male 50-59 yrs. old	2022.06.24	3	2016.06.24	1,142,063	0.01	1,033,567	0.01	—	—	—	—	M.S., Graduate Institute of Electronics Engineering, National Taiwan University Executive VP, Innolux Corporation Manager, Unipac Optoelectronics Corp.	Note 5	—	—	—
Independent Director	TW	Chi-Chia Hsieh	Male 70-79 yrs. old	2022.06.24	3	2013.06.19	—	—	—	—	—	—	—	—	Ph. D of Mechanical Engineering, Santa Clara University, USA Chairman, Microelectronics Technology Inc.	Note 6	—	—	—

Title	Nationality/ Place of registration	Name (Note 1)	Gender /Age	Date Elected (Note 2)	Term (Y)	Date First Elected	Shareholding when Elected		Current Shareholding		Shareholding of spouse and underage children		Shares held through nominees		Experience (Education)	Other Position	Spouse or relatives of second degree or closer acting as managerial officer or director		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	TW	Chih-I Wu	Male 50-59 yrs. old	2022.06.24	3	2022.06.24	—	—	—	—	—	—	—	Ph.D., Electrical Engineering, Princeton University, USA Director, Institute of Electronics and Optoelectronic Systems, National Taiwan University Senior Engineer, R&D Team Leader, Intel Corporation, USA	Note 7	—	—	—	
Independent Director	TW	Chih-Wei Wu	Male 60-69 yrs. old	2022.06.24	3	2022.06.24	—	—	—	—	—	—	—	MBA, California State University, USA CEO, Credit Suisse AG Executive Chairman, Standard Chartered Bank	Note 8	—	—	—	
Independent Director	TW	Hsin-Bei Shen	Female 40-49 yrs. old	2022.06.24	3	2022.06.24	—	—	—	—	—	—	—	LL.M., University of Southern California, USA Executive Master of Business Administration (EMBA), Finance Institute, College of Management, National Taiwan University Master of Laws, College of Technology and Law, National Chiao Tung University Bachelor of Laws, National Taiwan University Legal and Human Resources Director, Wpd Taiwan Energy Co., Ltd. Advisor, TSAR & TSAI Law Firm Prosecutor, District Prosecutors Office, Ministry of Justice, Taiwan	Note 9	—	—	—	
Independent Director	TW	Chi-Mo Huang	Male 60-69 yrs. old	2022.06.24	3	2022.06.24	—	—	—	—	—	—	—	M.S., Department of Electrical Engineering, National Tsing-Hua University, Taiwan Chairman, Ili Technology Corp. Vice President of R&D, Infineon Taiwan Technologies Co., Ltd.	Note 10	—	—	—	

Note 1: Existing Directors as of the date of the annual report.

Note 2: The terms of Board members (including Independent Directors) reelected on June 24, 2022 and effective on July 1, 2022.

Note 3: CEO of Innolux Corporation

- Concurrently as Chairman of the Board: InnoJoy Investment Corporation (Statutory representative), Yuan Chi Investment Co., Ltd. (Statutory representative)
- Concurrently as Directors: CarUX Holding Limited, CarUX Technology Pte. Ltd, Innolux Holding Ltd., Innolux Hong Kong Holding Limited, Innolux Hong Kong Limited, Innolux Optoelectronics Hong Kong Holding Ltd., Keyway Investment Management Ltd., Landmark International Ltd., Rockets Holding Ltd., Stanford Developments Ltd., Suns Holding Ltd., Toppoly Optoelectronics (B.V.I.) Ltd., Toppoly Optoelectronics (Cayman) Ltd., Warriors Technology Investments Ltd., FI Medical Device Manufacturing Co., Ltd. (Statutory representative), CarUX Technology Inc. (Statutory representative)
- Note 4: President & COO of Innolux Corporation
- Concurrently as Chairman of the Board: InnoCare Optoelectronics Corporation (Statutory representative)
- Concurrently as Directors: CarUX Holding Limited, CarUX Technology Pte. Ltd., Innolux Japan Co., Ltd., Innolux Singapore Holding Pte. Ltd., InnoCare Optoelectronics USA, Inc., Yuan Chi investment Co., Ltd. (Statutory representative), Chi Lin Optoelectronics Co., Ltd. (Statutory representative), InnoJoy Investment Corporation (Statutory representative), FI Medical Device Manufacturing Co., Ltd. (Statutory representative), CarUX Technology Inc. (Statutory representative), Ningbo CarUX Technology Co. Ltd., Epileds Technologies, Inc. (Statutory representative), INStek Corporation (Statutory representative), GIO Optoelectronics Corp. (Statutory representative), KA Imaging Inc.
- Note 5: Concurrently as Chairman of the Board: PanelSemi Corporation, GIO Optoelectronics Corp. (Statutory representative), CarUX Technology Inc. (Statutory representative)
- Concurrently as Directors: CarUX Holding Limited, CarUX Technology Pte. Ltd, Double Star Inc., Innolux Japan Co., Ltd
- Note 6: Concurrently as Chairman of the Board: Microelectronics Technology, Inc., IQE Taiwan Corporation, Jupiter Network Corp. (Statutory representative), Welltop Technology Co. Ltd (Statutory representative), Taicom Capital Limited (Statutory representative)
- Concurrently as Directors: Bright LED Electronics Corp., Henan Bright Crystal Company Limited, Sasson International Holdings Inc. (Statutory representative), Kopin Corporation Inc., T°Cement (Statutory representative), Bright Crystal Company Limited, TMC Limited, Jiang Yang Technology (Wuxi) Co., Ltd. (Statutory representative), KoBrite Corp., MTI Laboratory Inc., RadioComp ApS
- Note 7: Professor, Department of Electrical Engineering and Graduate Institute of Photonics and Optoelectronics, National Taiwan University; Vice President and Senior Technical Expert of Industrial Technology Research Institute
- Note 8: Concurrently as Chairman of the Board: Zhide Investment Co., Ltd.
- Concurrently as Independent Director: Cathay Real Estate Development Co., Ltd., Les Enphants Co., Ltd., Sinyi Housing, Co., Ltd., and Preferred Bank (California, USA)
- Concurrently as Director: Longchen Paper & Packaging Co., Ltd., Hematech Biotherapeutics Inc.
- Concurrently as Supervisor: Taiwan Farm Industry Co., Ltd.
- Note 9: Concurrently as Legal Director and ESG Director of Skyborn Renewables Taiwan Co., Ltd., and Chair of the ESG Committee of the Taiwan Bar Association(TWBA)
- Note 10: Concurrently as Independent Directors: Solid State System Company Limited
- Concurrently as Directors: INT Tech (HK) Co., Ltd.
- Concurrently as Supervisor: Asmeditron Inc.
- Note 11: Where the chairman and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures :
- The Company's CEO position is responsible for the sustainable development and long-term business strategy of the Company, while the President and COO position is responsible for the planning and management of the Company's daily operation. The responsibilities of the Chairman and CEO position and the President and COO position are clearly defined for an integrated effect. The Chairman of the Company keeps communication channel open with the Directors about the Company's operation and planning in order to implement the Company's corporate governance. Since June 24, 2022 when the General Meeting of Shareholders re-elected all directors, the number of independent directors has been increased to more than one-half of the total number of directors, thus strengthening the independence of the Board of Directors. In addition, we also increase the number of female directors to perform their duties faithfully from a more diversified and detachment perspective, enhance the functions of the Board of Directors and strengthen the supervisory function to implement corporate governance.

1. Major shareholders of the institutional shareholders: None.
2. Disclosure of professional qualifications and independence analysis of directors

(1) Professional qualifications and experience for directors

Name / Title	Professional qualifications and experience
Chairman Mr. Jin-Yang Hung	MBA, Columbia University, USA Department of Business Administration. Mr. Hung is the Chairman and CEO of the Company. He possesses over 5 years of work experience in Commerce, Finance and otherwise necessary for the Business of the Company and over 20 years of experience in foreign company finance operations, over 5 years of work experience in Commerce, Finance and otherwise necessary for the Business of the Company, as well as operational judgment, accounting and financial analysis, operations management, crisis management, industry knowledge, international market perspective, leadership and decision-making abilities to lead the Company to become an industry pioneer and move towards sustainable management.
Director Mr. Chu-Hsiang Yang	M.S., Chemical Engineering, National Central University. Mr. Yang is the President of the Company. He possesses almost 30 years of work experience in complete panel industry and over 5 years of work experience in Commerce, Finance and otherwise necessary for the Business of the Company, as well as operational judgment, accounting and financial analysis, operations management, crisis management, industry knowledge, international market perspective, leadership and decision-making abilities.
Director Mr. Jyh-Chau Wang	M.S., Materials Engineering, National Tsing-Hua University. Mr. Wang was former Chairman of the Company, with over 30 years of experience in flat display industry. He experiences in manufacturing and R&D of the display industry and has extensive business experience. He possesses over 5 years of work experience in Commerce, Finance and otherwise necessary for the Business of the Company, as well as operational judgment, financial analysis, operations management, crisis management, industry knowledge, international market perspective, leadership and decision-making abilities.
Director Mr. Ching-Lung Ting	Mr. Ting was Executive Vice President of the Company and master in Electronics Engineering, National Taiwan University. With almost 30 years of experience in TFT-LCD industry. Specializing in TFT-LCD front-end process and production technologies and can introduce innovative fab designs and process technologies. He possesses over 5 years of work experience in Commerce, Finance and otherwise necessary for the Business of the Company, as well as operational judgment, accounting and financial analysis, operations management, crisis management, industry knowledge, international market perspective, leadership and decision-making abilities.
Independent Director Mr. Chi-Chia Hsieh	Mr. Hsieh is the Chairman of Microelectronics Technology, Inc. and Ph. D of Mechanical Engineering, Santa Clara University, USA. Being the convener of the Company's Audit Committee and Remuneration Committee, and possessing over 5 years of work experience in Commerce, Finance and otherwise necessary for the Business of the Company. He specializes in market strategy and investment planning with extensive business experience, and possesses operational judgment, accounting and financial analysis, operations management, crisis management, industry knowledge, international market perspective, leadership and decision-making abilities.
Independent Director Mr. Chih-I Wu	Ph.D., Electrical Engineering, Princeton University, USA. He is a Professor at Department of Electrical Engineering and Graduate Institute of Photonics and Optoelectronics, National Taiwan University; Vice President and Senior Technical Expert of Industrial Technology Research Institute, and member of Audit Committee of the Company. He has been teaching in the Department of Electrical Engineering and Graduate Institute of Photonics and Optoelectronics, National Taiwan University for nearly 20 years, has extensive knowledge in semiconductor related fields, has published many journals and conference papers, and holds several US patents. He possesses over 5 years of work experience necessary for the Business of the Company, as well as operations management, crisis management, industry knowledge, international market perspective,

Name / Title	Professional qualifications and experience
	leadership and decision-making abilities.
Independent Director Mr. Chih-Wei Wu	MBA, California State University, USA. Mr. Wu is the Chairman of Zhide Investment Co., Ltd., and member of the Company's Audit Committee and Remuneration Committee. He once served as the CEO of Credit Suisse AG (Switzerland). He possesses over 5 years of work experience in Commerce, Finance and otherwise necessary for the Business of the Company. He specializes in market strategy and investment planning with extensive business experience, and possesses operational judgment, accounting and financial analysis, operations management, crisis management, industry knowledge, international market perspective, leadership and decision-making abilities.
Independent Director Ms. Hsin-Bei Shen	LL.M., University of Southern California, USA; passing Judicial Officer Examination and the Bar Examination. She is currently a Chair of the ESG Committee of the Taiwan Bar Association (TWBA) and the Legal Director and ESG Director of Skyborn Renewables Taiwan Co., Ltd. She is a member of the Audit Committee of the Company. She has been serving as a counselor of Tsar & Tsai Law Firm and a prosecutor in Prosecutors Office of Taipei District Court for over 10 years. She specializes in the green energy industry and is committed to promoting and supporting the government in completing ESG-related legislation and regulations. She possesses over 5 years of work experience in legal affairs and otherwise necessary for the Business of the Company, as well as operations management, crisis management, industry knowledge, international market perspective, leadership and decision-making abilities.
Independent Director Mr. Chi-Mo Huang	M.S., Department of Electrical Engineering, National Tsing-Hua University, Taiwan. He is currently the Independent Director of Solid State System Company Limited, and member of the Company's Audit Committee and Remuneration Committee. He was the Chairman of Ili Technology Corp. He possesses nearly 30 years of experience in the display panel driver and touch IC industry, and specializes in design and R&D of driver IC with extensive business experience. He possesses over 5 years of work experience in Commerce, Finance and otherwise necessary for the Business of the Company, as well as operational judgment, operations management, crisis management, industry knowledge, international market perspective, leadership and decision-making abilities.

(2) Independence of directors

Name / Title	Independence	Number of positions as independent director in other public companies
Chairman Mr. Jin-Yang Hung	Two years before being elected or during the term of office meets the following criteria in: (1) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders. (2) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (3) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).	None

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>(4) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(5) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(6) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(7) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(8) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	
<p>Director Mr. Chu-Hsiang Yang</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(2) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(4) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(5) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p>	<p>None</p>

Name / Title	Independence	Number of positions as independent director in other public companies
	(6) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company. (7) Not having any of the situations set forth in Article 30 of the Company Act of the ROC. (8) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.	
Director Mr. Jyh-Chau Wang	Two years before being elected or during the term of office meets the following criteria in: (1) Not an employee of the Company or any of its affiliates. (2) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders. (3) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (4) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (5) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (6) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (7) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions. (8) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company. (9) Not having any of the situations set forth in Article 30 of the Company Act of the ROC. (10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.	None
Director Mr. Ching-Lung Ting	Two years before being elected or during the term of office meets the following criteria in: (1) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others'	None

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(2) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(4) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(5) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(7) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(8) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(9) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	
<p>Independent Director Mr. Chi-Chia Hsieh</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).</p> <p>(5) Not a Director, supervisor, or employee of a corporate shareholder that</p>	<p>None</p>

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(7) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(8) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(9) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	
<p>Independent Director Mr. Chih-I Wu</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).</p> <p>(5) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not</p>	<p>None</p>

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(7) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(8) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(9) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	
<p>Independent Director Mr. Chih-Wei Wu</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).</p> <p>(5) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p>	<p>3</p>

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>(6) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(7) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(8) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(9) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	
<p>Independent Director Ms. Hsin-Bei Shen</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).</p> <p>(5) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an</p>	<p>None</p>

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(7) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(8) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(9) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	
<p>Independent Director Mr. Chi-Mo Huang</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).</p> <p>(5) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p>	<p>1</p>

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>(7) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(8) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(9) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	

3. Diversity and independence of the Board

The Company stipulates guidelines for diversity in its Corporate Governance Principles to strengthen the function of the Board of Directors. The nomination and election of the Company's Board members are in accordance with the provisions of its Articles of Incorporation, adopting the candidates' nomination system and submitted to the shareholders meeting for election upon the Board of Directors' resolution. According to Article 20, Paragraph 4 of the Corporate Governance Principles of the Company, all Board members shall have the knowledge, skills and experience necessary to perform their duties. To achieve the ideal goal of corporate governance. The Board of Directors shall possess the following abilities:

- (1) Ability to make operating judgments.
- (2) Ability to perform accounting and financial analysis.
- (3) Ability to conduct management administration.
- (4) Ability to conduct crisis management.
- (5) Knowledge of the industry.
- (6) An international market perspective.
- (7) Ability to lead.
- (8) Ability to make policy decisions.

To strengthen corporate governance and promote the sound development of the Board of Directors' composition and structure, the Company's policy on diversity of board members per Article 20, Paragraph 3 of

its Corporate Governance Principles indicates that: the composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company managerial officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- (1) Basic requirements and values: Gender, age, nationality, and culture.
- (2) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology,) professional skills and industry experience.

The Company's current Board of Directors consists of 9 directors, including 4 non-independent directors and 5 independent directors. All members possess knowledge of finance, business and industry; an international market perspective; and professional ability to lead, make an operating judgment, manage the business and do crisis management. There are not any matters specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act. Directors who are also employees of the Company account for 22.22% of the Board. Independent directors account for 55.56%. Female directors account for 11.11%. Four independent directors has served for less than 3 years and one independent director has served for more than 9 years. One director is aged 40-49. Four directors are aged 50-59. Three directors are aged 60-69 and one director is aged 70-79.

Implementation of the diversity of the Board members is as follows:

Title	Name	Basic Requirements and Values							Professional Knowledge and Skills								Seniority of Independent Director		
		Nationality	Gender	Current positions in the Company	Age				Operational Judgments	Management Administration	Finance& Accounting	Business & Economics	Crisis Management	Knowledge of the Industry	International market perspective	Ability to lead and to make policy decisions	Below 3 years	4-9 years	Over 9 years
					40-49 years old	50-59 years old	60-69 years old	70-79 years old											
Chairman	Jin-Yang Hung	TW	Male	√	–	√	–	–	√	√	√	√	√	√	√	–	–	–	
Director	Chu-Hsiang Yang	TW	Male	√	–	√	–	–	√	√	√	√	√	√	√	–	–	–	
Director	Jyh-Chau Wang	TW	Male	–	–	–	√	–	√	√	√	√	√	√	√	–	–	–	
Director	Ching-Lung Ting	TW	Male	–	–	√	–	–	√	√	√	√	√	√	√	–	–	–	
Independent Director	Chi-Chia Hsieh	TW	Male	–	–	–	–	√	√	√	√	√	√	√	√	–	–	√	
Independent Director	Chih-I Wu	TW	Male	–	–	√	–	–	√	–	√	√	√	√	√	√	–	–	
Independent Director	Chih-Wei Wu	TW	Male	–	–	–	√	–	√	√	√	√	√	√	√	√	–	–	
Independent Director	Hsin-Bei Shen	TW	Female	–	√	–	–	–	√	√	√	√	√	–	√	√	–	–	
Independent Director	Chi-Mo Huang	TW	Male	–	–	–	√	–	√	√	√	√	√	√	√	√	–	–	

3.2.2 Management Team

April 2, 2023; Unit: Shares

Title	Nationality	Name (Note 1)	Gender	Date Effective	Shareholding		Shareholdings of spouse and underage children		Shares held through nominees		Experience (Education)	Other Position	Spouse or relatives of second degree or closer acting as managerial officer		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman & CEO	TW	Jin-Yang Hung	Male	2018.06.21	1,161,224	0.01	—	—	—	—	MBA, Columbia University, USA Department of Business Administration, Special Assistant to Chairman, Innolux Corporation Associate VP, Foxconn Group President, TCC International Holdings Limited Managing Director, BNP Paribas Asset Management Executive Director, Goldman Sachs Group, Inc.	Note 2	—	—	—
President & COO	TW	Chu-Hsiang Yang	Male	2010.03.18	1,771,040	0.02	7,197	—	—	—	M.S., Chemical Engineering, National Central University Vice President, Innolux Corporation Associate VP, Chi Mei Optoelectronics Corporation Deputy Section Manager, Chunghwa Picture Tubes, Ltd.	Note 3	—	—	—
Vice President	TW	Jun-Yi Yu	Male	2015.12.25	438,241	—	—	—	—	—	Master of Industrial Engineering, Texas Tech University Production Manager of AUO Corporation	Note 4	—	—	—
Vice President	TW	Hung-Wen Yang	Male	2007.06.01	653,200	0.01	—	—	—	—	M.S., Chemical Engineering, National Cheng Kung University Plant Directors, Sintek Photronic Corp Deputy Plant Directors, AUO Corporation Manager, Unipac Optoelectronics Corp.	—	—	—	—
Vice President	TW	Chih-Ming Chen	Male	2010.03.18	169,488	—	781	—	—	—	Graduated from Metallurgy and Materials Science Research Institute of National Cheng Kung University Engineer, Shyen Sheng Fuat Steel & Iron Works Co., Ltd Senior Engineer, Unipac Optoelectronics Corp.	Director, GIO Optoelectronics Corp. (Statutory representative)	—	—	—
Vice President	TW	Yu-Shui Kuo	Male	2014.12.01	524,143	0.01	—	—	—	—	Master of Mechanical Engineering, Yuan Ze University Associate VP of Entire Technology Co. Ltd Manager of AUO Corporation Associate Manager of Prodisc Coordinator of Ritek Corporation	Chairman, INStek Corporation (Statutory representative)	—	—	—
Associate VP	TW	Ke-Yi Kao	Male	2010.03.18	705,436	0.01	—	—	—	—	M.S., Chemical Engineering, University of Florida (U.S.A.) Associate Manager, Unipac Optoelectronics Corp.	—	—	—	—
Associate VP	TW	Tai-Chi Pan	Male	2010.03.018	734,751	0.01	—	—	—	—	Graduated in Electrical Engineering of National Cheng Kung University Associate Manager, Unipac Optoelectronics Corp.	—	—	—	—
Associate VP	TW	Ching-Hui Lin	Male	2015.12.25	314,975	—	—	—	—	—	Master of institute of science engineering, National Central University R&D Directors, Chunghwa Picture Tubes, Ltd.	Note 5	—	—	—

Title	Nationality	Name (Note 1)	Gender	Date Effective	Shareholding		Shareholdings of spouse and underage children		Shares held through nominees		Experience (Education)	Other Position	Spouse or relatives of second degree or closer acting as managerial officer		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Associate VP	TW	Ching-Wen Huang	Female	2019.07.03	240,368	—	—	—	—	—	Bachelor of Taipei Institute of Business Technology Assistant Manager of Materials, Unipac Optoelectronics Corp. Assistant Manager of Materials, AUO Corporation	—	—	—	—
Associate VP	TW	Chih-Hsuan Wang	Male	2020.12.01	122,804	—	1,390	—	—	—	Master of Science, School of Computer Science, The University of Birmingham. Manager of LCD Sales Department, Sharp Opto- electronics Corporation	Director, INStek Corporation (Statutory representative)	—	—	—
Associate VP	TW	Chien-Hung Liao	Male	2021.12.20	260,042	—	369	—	—	—	Master Program in Industrial Management, Department of Food Science, Tunghai University Special Assistant to President, Sinon Corporation Management Associate, Standard Foods Corporation Engineer, WUS Printed Circuit Co., Ltd. Director, Chi Mei Optoelectronics Corporation General Director, Innolux Corporation	Director, Innolux Optoelectronics India Private Limited	—	—	—
Financial Officer	TW	Wei-Cheng Chiu	Male	2023.02.15	—	—	—	—	—	—	Bachelor, Department of Accounting, Tamkang University Chief Financial Officer, Hong Kong Changlong Enterprises Co., Ltd. Accounting Officer, Hsin Chong Chemical Co., Ltd. Manager of Finance Department, Taiwan Cement Corporation	—	—	—	—
Accounting Officer	TW	Rou-Li Cheng	Female	2023.02.15	238	—	—	—	—	—	Bachelor, Department of Accounting, Tamkang University Accounting Section Manager, Chi Mei Optoelectronics Corporation	Director, Innolux Hong Kong Limited	—	—	—

Note 1: Existing managerial officers as of the printed date of the annual report.

Note 2: Please refer to Note 3 on page 20-21 of this annual report.

Note 3: Please refer to Note 4 on page 21 of this annual report.

Note 4: Concurrently as Corporate Governance Officer

Concurrently as Directors: Innolux Europe B.V., Innolux Hong Kong Holding Limited, Innolux Optoelectronics Hong Kong Holding Ltd., Shanghai Innolux Optoelectronics Ltd., Foshan Innolux Optoelectronics Ltd, Nanjing Innolux Optoelectronics Ltd., Innocom Technology (Shenzhen) Co., Ltd., Ningbo Innolux Optoelectronics Ltd., Ningbo CarUX Technology Co. Ltd.

Note 5: Concurrently as Chairman of the Board: Foshan Innolux Optoelectronics Ltd., Foshan Innolux Logistics Co. Ltd.

Note 6: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures: Please refer to page 21, Note 11 of this annual report.

3.3 Remuneration of Directors, President, and Vice President

3.3.1 Remuneration to Directors and Independent Directors

Unit: NT\$ thousand; thousand shares; %

Title	Name (Note 1)	Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (Loss) (%) (Note8)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (Loss) (%) (Note8)		Remuneration Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 9)
		Base Remuneration (A) (Note 2)		Severance Pay (B)		Directors Remuneration (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Special Disbursement (E) (Note 5)		Severance Pay (F) (Note 6)		Employees Remuneration (G) (Note 7)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report			
		Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Jin-Yang Hung	3,600	3,600	—	—	—	—	120	120	(0.01)	(0.01)	15,059	15,059	—	—	—	—	—	—	(0.07)	(0.07)	—
Director	Chu-Hsiang Yang (Note 9)	450	450	—	—	—	—	120	120	—	—	16,492	16,635	108	108	—	—	—	—	(0.06)	(0.06)	—
Director	Jyh-Chau Wang	900	1,200	—	—	—	35	120	200	—	(0.01)	14,634	14,735	108	108	—	—	—	—	(0.05)	(0.06)	—
Director	Ching-Lung Ting (Note 9)	450	450	—	—	—	—	120	120	—	—	13,390	14,530	—	—	—	—	—	—	(0.05)	(0.05)	—
Independent Director	Chi-Chia Hsieh	2,400	2,400	—	—	—	—	120	120	(0.01)	(0.01)	—	—	—	—	—	—	—	—	(0.01)	(0.01)	—
Independent Director	Chih-I Wu (Note 10)	1,200	1,200	—	—	—	—	60	60	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Chih-Wei Wu (Note 10)	1,200	1,200	—	—	—	—	60	60	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Hsin-Bei Shen (Note 10)	1,200	1,200	—	—	—	—	60	60	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Chi-Mo Huang (Note 10)	1,200	1,200	—	—	—	—	60	60	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporate Director	Hyield Venture Capital Co., Ltd. (Note 11)	900	900	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Stanley Yuk Lun Yim (Note 11)	1,200	1,200	—	—	—	—	60	60	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Zhen-Wei Wang (Note 11)	1,200	1,200	—	—	—	—	40	40	—	—	—	—	—	—	—	—	—	—	—	—	—

1. Please describe the policy, system, standard, and structure of remuneration to Independent Directors, and the correlation between duties, risk, and time input with the amount of remuneration:

For the remuneration of Independent Directors, besides referring to results of Directors performance evaluations, the Remuneration Committee considers each Director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with the Company's Articles of Incorporation.

2. Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None.

Note 1: Please fill in the remuneration information of directors (including independent directors) who served in 2022.

Note 2: Refers to Directors' remuneration paid in 2022.

Note 3: The proposal of 2022 profit distribution has resolved by the Board of Directors.

Note 4: Refers to the relevant service execution fees of Directors in 2022.

Note 5: Refers to the salaries, bonuses and special disbursement, etc. received as employees by Directors in 2022.

Note 6: Refers to the amounts transferred to government authorities in 2022.

Note 7: These are proposed amounts; the amounts of individual employee remunerations have not been approved by the Board of Directors.

Note 8: Net income (loss) after tax refers to the net income (loss) after tax in the parent company only financial statements for the year ended December 31, 2022.

Note 9: Director Chu-Hsiang Yang and Director Ching-Lung Ting were the representative of juristic person of Hyield Venture Capital Co., Ltd. from January to June, 2022. On June 24 the same year, they were appointed as natural person directors on July 1 after the re-election at the shareholders' meeting.

Note 10: Independent Directors Chih-I Wu, Chih-Wei Wu, Hsin-Bei Shen and Chi-Mo Huang were re-elected at the shareholders' meeting on June 24, 2022 and took office on July 1 of the same year.

Note 11: Retired on June 30, 2022 after re-election.

3.3.2 Remuneration of the President and Vice Presidents

Unit: NT\$ thousand; thousand shares; %

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B) (Note 3)		Bonuses and Special Disbursement (C) (Note 4)		Employee Remuneration (D) (Note 5)				Ratio of Total Remuneration (A+B+C+D) to Net Income (Loss) (%) (Note 6)		Remuneration Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman & CEO	Jin-Yang Hung													
President & COO	Chu-Hsiang Yang													
Vice President	Hung-Wen Yang	31,778	31,778	540	540	34,630	34,985	—	—	—	—	(0.24)	(0.24)	—
	Chih-Ming Chen													
	Yu-Shui Kuo													
	Jun-Yi Yu													
	Kuo-Hsiung Kuo (Note 7)													

Note 1: The remuneration information of president and vice president who served in 2022.

Note 2: Refers to remuneration paid in 2022.

Note 3: Refers to the amounts transferred to government authorities in 2022.

Note 4: Refers to the salaries, bonuses and special disbursement, etc. received by employees in 2022.

Note 5: These are proposed amounts; the amounts of individual employee remunerations have not been approved by the Board of Directors.

Note 6: Net income (loss) after tax refers to the net income (loss) after tax in the parent company only financial statements for the year ended December 31, 2022.

Note 7: Dismissal on March 1, 2022.

Remuneration Bracket Table

Range of Remuneration	Name of the Presidents and the Vice Presidents	
	The Company	All companies in the financial report
Less than NT\$ 1,000,000		
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Kuo-Hsiung Kuo	Kuo-Hsiung Kuo
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Hung-Wen Yang, Chih-Ming Chen, Yu-Shui Kuo, Jun-Yi Yu	Hung-Wen Yang, Chih-Ming Chen, Yu-Shui Kuo, Jun-Yi Yu
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	Jin-Yang Hung, Chu-Hsiang Yang	Jin-Yang Hung, Chu-Hsiang Yang
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
NT\$100,000,000 and above		
Total	7	7

3.3.3 Remunerations for the top five highest paid managerial officers

Unit: NT\$ thousand; thousand shares; %

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B) (Note 3)		Bonuses and Special Disbursement (C) (Note 4)		Employee Remuneration (D) (Note 5)				Ratio of Total Remuneration (A+B+C+D) to Net Income (Loss) (%) (Note 6)		Remuneration Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman & CEO	Jin-Yang Hung	6,974	6,974	—	—	8,086	8,086	—	—	—	—	(0.05)	(0.05)	—
President & COO	Chu-Hsiang Yang	6,529	6,529	108	108	9,963	10,106	—	—	—	—	(0.06)	(0.06)	—
Vice President	Hung-Wen Yang	4,675	4,675	108	108	4,867	4,899	—	—	—	—	(0.03)	(0.03)	—
Vice President	Chih-Ming Chen	4,855	4,855	108	108	4,629	4,697	—	—	—	—	(0.03)	(0.03)	—
Associate VP	Tai-Chi Pan	3,979	3,979	108	108	4,622	4,622	—	—	—	—	(0.03)	(0.03)	—

Note 1: Please fill in the remuneration information of the top five highest paid current managerial officers in 2022.

Note 2: Refers to remuneration paid in 2022.

Note 3: Refers to the amounts transferred to government authorities in 2022.

Note 4: Refers to the amount of various bonuses, incentive payments, traffic allowance, special disbursement, various allowances, dormitories, vehicles, and other in-kind provisions and other rewards in 2022. Bonuses and special disbursement are proposed amounts and have not been approved by the Board of Directors.

Note 5: The amount of individual employee remuneration has been approved by the Board of Directors.

Note 6: Net income (loss) after tax refers to the net income (loss) after tax in the parent company only financial statements for the year ended December 31, 2022.

3.3.4 Names and Distributions of Employee Profit-Sharing Remunerations to Managerial Officers

In 2022, the Company incurred a loss after tax and did not allocate any remuneration to employees.

3.3.5 Comparison of Remuneration for Directors, Presidents, and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents, and Vice Presidents

1. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to Directors, presidents, and vice presidents of the Company to the percentage of net income stated in the parent company only financial reports or individual financial reports.

Item	Fiscal Year	Ratio of total remuneration paid to net income (loss)			
		2021		2022 (Note)	
		The Company	All Companies in the consolidated financial statements	The Company	All Companies in the consolidated financial statements
Director		0.63	0.64	(0.27)	(0.28)
Presidents & Vice Presidents		0.61	0.61	(0.24)	(0.24)

Note: The amount has been approved by the Board of Directors.

2. The policies, standards, and packages, for the payment of remuneration, the procedures for determining remuneration, and its linkage to operating performance.

(I) Policies, standards and packages of remuneration of the Company

According to the Company's remuneration policy, the remuneration of Directors, the President and the Vice President shall be determined by the Remuneration Committee after considering the Company's operation performance, personal performance and responsibilities, and incorporating into the contributions and performance of sustainable corporate governance indicators of three aspects, economic, environmental, and social, as well as the relationship and rationality between the industry development trend and future operation risks, and by referring to the level of external remuneration market and similar positions in the industry; the Board of Directors shall comprehensively consider the amount of remuneration, payment method, etc. for a resolution.

(II) The procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

The remunerations to directors and managerial officers are regularly evaluated based on the performance evaluation results obtained according to the "Rules for Evaluating Board of Directors and Functional Committee Performance" and the "Performance Management Regulations" applicable to managerial officers and employees, respectively. In addition, the remuneration to managerial officers is determined with reference to the "Managerial Officers Compensation Regulations" and the operating performance indicators of the associates, including financial indicators such as annual revenue and EPS, and non-financial indicators such as ESG sustainable operation, which will be reviewed by the Remuneration Committee and submitted to the Board of Directors for approval.

In addition, in accordance with Article 21 of the Company's Articles of Incorporation, the distribution of employees' compensation shall not be lower than 5% of and the directors' compensation shall not be higher than 0.1% of the current year pre-tax income before deducting the distributable employees' and directors' compensation of the Company.

The Company allocates directors' and employees' remuneration based on the actual annual profit and the ratio specified in the Articles of Incorporation. The Remuneration Committee shall make a proposal after considering the industrial environment, the Company's operating conditions, as well as the directors', the president's and the vice president's responsibilities, contribution and goal achievement, and then submit it to the Board of Directors for resolution, and distribute the remuneration after reporting to the shareholders' meeting.

The reasonableness of the remuneration shall be reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system shall be reviewed from time to time according to the actual business situation and relevant laws and regulations, so as to achieve a balance between the Company's sustainable operation and risk control.

3.4 Implementation of Corporate Governance

3.4.1 Operations of the Board of Directors

A total of 6 meetings of the Board of Directors were held in the previous (2022) period. Directors' attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%) (Note)	Remarks
Chairman	Jin-Yang Hung	6	—	100.00%	Reelected
Director	Chu-Hsiang Yang	3	—	100.00%	New appointment
Director	Jyh-Chau Wang	6	—	100.00%	Reelected
Director	Chin-Lung Ting	3	—	100.00%	New appointment
Independent Director	Chi-Chia Hsieh	6	—	100.00%	Reelected
Independent Director	Chih-I Wu	3	—	100.00%	New appointment
Independent Director	Chih-Wei Wu	3	—	100.00%	New appointment
Independent Director	Hsin-Bei Shen	3	—	100.00%	New appointment
Independent Director	Chi-Mo Huang	3	—	100.00%	New appointment
Corporate Director	Hyield Venture Capital Co., Ltd Representative: Chu-Hsiang Yang	3	—	100.00%	Retired
Corporate Director	Hyield Venture Capital Co., Ltd Representative: Chin-Lung Ting	3	—	100.00%	Retired
Independent Director	Zhen-Wei Wang	2	1	66.67%	Retired
Independent Director	Stanley Yuk Lun Yim	3	—	100.00%	Retired

Note: The Board of Directors was fully re-elected on June 24, 2022 and the newly elected directors took office on July 1 of the same year. The Board of Directors met three times before the re-election and three times after the re-election. The actual attendance (%) was calculated based on the number of Board meetings and the actual number of attendances during his tenure.

Other items to be recorded:

I. If any of the following circumstances occur, the dates of the meetings, term, and motion contents, all independent directors' opinions and the Company's response should be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Total 7 meetings of the Board were held in the period from 2022 to the printed date of the annual report. For the resolutions please refer the pages 79-80 of the annual report. All independent directors did not object to the matters listed in Article 14-3 of the Securities Exchange Act and approved the resolution as presented.

(II) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors : None.

II. If there are directors' avoidance of motions in conflict of interest, the directors' names, motion contents, reasons for avoidance of interests and voting should be specified:

Board Meetings	Directors' Name	Motion Contents	Reasons for avoidance of interests	Voting
17th meeting of the 8th term 2022.02.11	Chairman Jin-Yang Hung Director Jyh-Chau Wang Director Chu-Hsiang Yang Director Chin-Lung Ting	Proposal for the remuneration of managerial officers and directors	As the interest persons in this case, the directors evaded their interests in accordance with the law	Did not participate in discussion or voting

Board Meetings	Directors' Name	Motion Contents	Reasons for avoidance of interests	Voting
19th meeting of the 8th term 2022.05.11	Chairman Jin-Yang Hung Director Jyh-Chau Wang Director Chu-Hsiang Yang Director Chin-Lung Ting	1. Proposal for the remuneration of directors, and managerial officers 2. Proposal of the employee remuneration for concurrently as directors and managerial officers	As the interest persons in this case, the directors evaded their interests in accordance with the law	Did not participate in discussion or voting
4th meeting of the 9th term 2023.02.14	Chairman Jin-Yang Hung Director Chu-Hsiang Yang Director Jyh-Chau Wang Director Chin-Lung Ting	Proposal for the remuneration of managerial officers	As the interest persons in this case, the directors evaded their interests in accordance with the law	Did not participate in discussion or voting

III. Execution of Board Performance Evaluation:

Type	Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content and Result
Self-evaluation	Once a year	2022.01.01-2022.12.31	Board of Directors, functional committees (including the Audit Committee and the Remuneration Committee) and individual directors	Self-evaluation of Board of Directors, functional committees (including the Audit Committee and the Remuneration Committee) and individual directors	<p>Evaluation content:</p> <ol style="list-style-type: none"> The evaluation of the Board as a whole: which should cover, participation in the Company's operation; improvement of the Board' decision making quality; the composition and structure of the Boards; the election and continuing education of directors; and internal control. Functional committees: which should cover participation in the Company's operation; understanding of the duties of functional committees; improvement of functional committees' decision-making quality; the composition of functional committees and the election of their members and internal control. Individual directors: which should cover alignment of the goals and missions of the Company; understanding of the duties and responsibilities of directors; participation in the Company's operation; management of internal relationships and communications; professionalism and continuing education; and internal control. <p>Assessment Result:</p> <p>The evaluation results are divided into five levels: very poor (strongly disagree), poor (disagree), moderate (average),</p>

Type	Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content and Result
					good (agree) and excellent (strongly agree). The internal self-evaluation results of the Company's "Board of Directors", "Board Members", "Audit Committee" and "Remuneration Committee" are good, good, excellent, and excellent, respectively, which sufficiently indicate that the Company's Board of Directors and functional committees are operating effectively.
External Evaluation	Once every three years	2022.01.01-2022.12.31	Board Meeting	Evaluation by surveys, documentation review, and field interview	<p>Evaluation content:</p> <p>The evaluation was conducted by surveys, documentation review, and field interview from four aspects of the professional functions of the Board (the composition and structure of the Board members, the election and appointment of directors and continuous education), the decision functions of the Board (the degree of participation in the Company's operations, and the improvement of the decision-making quality of the Board), the level of emphasis on internal control and supervision, and the Board's attitude towards sustainable management.</p> <p>Assessment Result:</p> <p>The Board of Directors has been fully re-elected and is composed of natural persons. It is in line with the current corporate governance trend. Independent directors have accounted for 56 % of total number of the Board members, which is a rare board composition among the current listed Companies. It has surpassed the appeal of "Corporate Governance 3.0-Sustainable Development Blueprint" and the provisions of the governance code, which is praiseworthy.</p> <p>The recommendations mainly include four aspects: increasing the composition of Board diversity, encouraging the addition of non-statutory Functional Committees (e.g. Risk Management Committee and Nomination Committee), continuously strengthening capabilities of enterprise risk management, and continuously promoting the goal of sustainable operation.</p>

Type	Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content and Result
					In response to the above recommendations, the Company will discuss and formulate a plan, including carefully evaluating the list of director candidates when re-election in the future, and incorporating gender elements into the evaluation, so as to make the composition of the Board more diverse and help introduce different values. Strengthen the Board diversity; in the future, we will assess the necessity of the Risk Management Committee and Nomination Committee based on legal requirements or practical needs, further improve the supervision and corporate management function of the enterprise, and continue to strengthen corporate governance and sustainable operation.

IV. Targets for strengthening of the functions of the Board during the current and immediately preceding fiscal years (e.g. establishing an audit committee and enhancing information transparency) and the implementation status evaluation:

- (I) The Board of Directors shall direct the Company's strategy, supervise the management team, be responsible to the Company and shareholders' meeting, and make arrangements for the various operations and arrangements of the Company's governance system to ensure that it exercises its authorities in accordance with laws and regulations, the Company's Articles of Incorporation or the resolutions of the shareholders' meeting.
- (II) The Company has established an Audit Committee on July, 2016 to exercise the authorities required by the Securities and Exchange Act, the Company Act and other laws and regulations to assist the Board of Directors in supervising the Company's quality and integrity in the implementation of relevant accounting, auditing, financial reporting procedures and financial control. Please see page 43-46 for the detail of the Audit Committee's operation.
- (III) The Company has established Remuneration Committee on August, 2011 and set up standard for the directors and managers. The Remuneration Committee is also in charge of making regular review of performance of the directors and managers, and the related remuneration policy, system, standard, and structure. Please see page 55-56 for the detail of the Remuneration Committee's operation.
- (IV) The Company has re-elected its Board of Directors at extraordinary general meeting on June 24, 2022. The new Board is made of 9 Board members, including 5 independent directors. All non-independent directors are held by natural persons, and independent directors exceed half of Board members, thus strengthening the Board function and corporate governance.
- (V) The Board members continuing education extending beyond the scope of the professional expertise of the Directors, and to select courses encompassing corporate governance related topics such as finance, risk management, business, commerce, legal affairs, accounting, and sustainable development, or courses relating to internal control systems or liability for financial reports to enhance the awareness and implementation of corporate governance by Board members. Please see page 69-71 for the detail of the status of directors' participation in corporate governance related courses and trainings.

V. Attendance of independent directors at 2022 Board Meetings

Board Meetings	Independent Director Chi-Chia Hsieh (Note)	Independent Director Chih-I Wu (Note)	Independent Director Chih-Wei Wu (Note)	Independent Director Hsin-Bei Shen (Note)	Independent Director Chi-Mo Huang (Note)	Independent Director Stanley Yuk Lun Yim (Note)	Independent Director Zhen-Wei Wang (Note)
17th meeting of the 8th term 2022.02.11	Attend in person	—	—	—	—	Attend in person	Attend in person
18th meeting of the 8th term 2022.04.07	Attend in person	—	—	—	—	Attend in person	Attend by Proxy
19th meeting of the 8th term 2022.05.11	Attend in person	—	—	—	—	Attend in person	Attend in person
1st meeting of the 9th term 2022.06.24	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	—	—
2nd meeting of the 9th term 2022.07.28	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	—	—
3rd meeting of the 9th term 2022.10.27	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	—	—

Note: The Company fully re-elected its directors on June 24, 2022 and the new directors took office on July 1 of the same year. Independent Directors Chih-I Wu, Chih-Wei Wu, Hsin-Bei Shen and Chi-Mo Huang are newly elected, and Independent Directors Stanley Yuk Lun Yim and Zhen-Wei Wang retired.

3.4.2 Operations of the Audit Committee

A total of 5 audit committee meetings were held in the previous (2022) period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%) (Note)	Remarks
Independent Director	Chi-Chia Hsieh	5	—	100.00%	Reelected
Independent Director	Chih-I Wu	3	—	100.00%	New appointment
Independent Director	Chih-Wei Wu	3	—	100.00%	New appointment
Independent Director	Hsin-Bei Shen	3	—	100.00%	New appointment
Independent Director	Chi-Mo Huang	3	—	100.00%	New appointment
Independent Director	Zhen-Wei Wang	2	—	100.00%	Retired
Independent Director	Stanley Yuk Lun Yim	2	—	100.00%	Retired

Note : The Board of Directors was fully re-elected on June 24, 2022 and the newly elected directors took office on July 1 of the same year. The Audit Committee convened two times before the re-election and three times after the re-election. The actual attendance (%) was calculated based on the number of meetings and the actual number of attendances during his tenure.

Other items to be recorded:

I. The annual work focus and authority of the audit committee

(I) The main function of the audit committee is to supervise the following matters:

1. Fair presentation of the financial reports of the Company.
2. The hiring or dismissal, independence of certificated public accountants and their performance.
3. The effective implementation of the internal control system of the Company.
4. Compliance with relevant laws and regulations by the Company.
5. Management and control of the existing or potential risks of the Company.

(II) The powers of the audit committee are as follows:

1. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading,

- extension of monetary loans to others, or endorsements or guarantees for others.
4. A matter bearing on the personal interest of a director.
 5. A material asset or derivatives transaction.
 6. A material monetary loan, endorsement, or provision of guarantee.
 7. The offering, issuance, or private placement of any equity-type securities.
 8. The hiring or dismissal of an attesting CPA, or the compensation given thereto.
 9. The appointment or discharge of a financial, accounting, or internal auditing officer.
 10. Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
 11. Any other material matter so required by the Company or the competent authority.

II. If any of the following circumstances occur, the dates of Board meetings, term, motion contents, resolutions of the audit committee and the Company's response to the audit committee's opinion should be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Board Meetings	Motion Contents	Resolution of the Audit Committee	The Company's response to the members' opinions
17th meeting of the 8th term 2022.02.11	<ol style="list-style-type: none"> 1. Proposals of the 2021 parent company only financial statements and consolidated financial statements 2. The appointment, remuneration, and assessment of the independence and appropriateness of CPAs 3. Proposal of the Company's 2021 Internal Control Statement 	Approved by all committee members present as proposed	Approved by all directors present as proposed
19th meeting of the 8th term 2022.05.11	<ol style="list-style-type: none"> 1. Review the financial statements for the first quarter of 2022 2. Proposal of 2021 Business Report 3. Prepare the 2022 Profit Distribution Table 4. Amendments to the Procedures for the Acquisition and Disposal of Assets 	Approved by all committee members present as proposed	Approved by all directors present as proposed
1st meeting of the 9th term 2022.06.24	<ol style="list-style-type: none"> 1. Elect the Convener and Chair of the 3rd term Audit Committee 	Approved by all committee members present as proposed	Approved by all directors present as proposed
2nd meeting of the 9th term 2022.07.28	<ol style="list-style-type: none"> 1. Review the financial statements for the second quarter of 2022 	Approved by all committee members present as proposed	Approved by all directors present as proposed
3rd meeting of the 9th term 2022.10.27	<ol style="list-style-type: none"> 1. Review the financial statements for the third quarter of 2022 2. Proposal of 2023 Audit plan 3. Amendments to the Company's Procedures for Handling Material Inside Information, internal control system and implementation rules for internal audit 	Approved by all committee members present as proposed	Approved by all directors present as proposed

(II) Other matters which were not approved by the audit committee but were approved by two-thirds or more of all directors: None.

III. If there are independent directors' avoidance of motions in conflict of interest, the Directors' names, motion contents, reasons for avoidance of interests and voting should be specified: None.

IV. Communications between the independent directors, the Company's chief internal auditor and CPAs:

(I) Communication between independent directors and chief internal auditor:

The independent directors of the Company and the chief internal auditor shall meet regularly at least once a quarter and submit the audit report and deficiency tracking report for the previous month by the end of each month to report on the implementation status of the Company's annual audit plan and the improvement of internal control deficiency tracking; a meeting may be convened at any time in case of material unusual matters.

(II) The 2022 major matters of the communications between independent directors (audit committee) and chief internal auditor

Date	Descriptions of the major matters	Resolution
2022.01.11	December 2021 Audit Report was submitted to independent directors for review	No objection
2022.02.11 Audit Committee	1. Report on the implementation of the audit plan for the fourth quarter of 2021 2. Statement of Internal Control System for 2021	1. No objection 2. After the review and approval, report to the Board of Directors
2022.02.15	January 2022 Audit Report was submitted to independent directors for review	No objection
2022.03.09	February 2022 Audit Report was submitted to independent directors for review	No objection
2022.04.08	March 2022 Audit Report was submitted to independent directors for review	No objection
2022.05.11 Audit Committee	Report on the implementation of the audit plan for the first quarter of 2022	No objection
2022.05.23	April 2022 Audit Report was submitted to independent directors for review	No objection
2022.06.07	May 2022 Audit Report was submitted to independent directors for review	No objection
2022.07.08	June 2022 Audit Report was submitted to independent directors for review	No objection
2022.07.28 Audit Committee	Report on the implementation of the audit plan for the second quarter of 2022	No objection
2022.08.05	July 2022 Audit Report was submitted to independent directors for review	No objection
2022.09.02	August 2022 Audit Report was submitted to independent directors for review	No objection
2022.10.03	September 2022 Audit Report was submitted to independent directors for review	No objection
2022.10.27 Audit Committee	Report on the implementation of the audit plan in the third quarter of 2022	No objection
2022.11.04	October 2022 Audit Report was submitted to independent directors for review	No objection
2022.12.02	November 2022 Audit Report was submitted to independent directors for review	No objection

(III) Communication between independent directors (Audit Committee) and independent auditors:

The Company's independent directors and CPAs meet regularly at least once a quarter. The CPAs discuss the results of the audit/review of the Company's financial reports at the meeting of the Audit Committee, and communicate fully with the Company regarding whether the amendments to laws have any material impact on the Company.

(IV) The 2022 major matters of the communications between independent directors (Audit Committee) and independent auditors:

Date	Descriptions of the major matters	Resolution
2022.02.11	The audit results of the 2021 parent company only financial statements and consolidated financial statements	No objection
2022.05.11	The review results of the 2022 first quarter of the financial statements.	No objection
2022.07.28	The review results of the 2022 second quarter of the financial statements.	No objection
2022.10.27	1. The review results of the 2022 third quarter of the financial statements 2. Communication of 2022 Audit Plan and Key Audit Matters with CPA	No objection

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has enacted “Corporate Governance Principles” and disclosed on the official website and MOPS. in addition to protect the rights and interests of shareholders, strengthen the powers of the Board of Directors, respect the rights and interests of stakeholders and enhance information transparency. The INX’s “Corporate Governance Principles” please refer to INX official website.	No significant difference compared to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
2. Shareholding structure & shareholders’ rights				
(1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company has enacted the “Procedures for Handling Material Inside Information” and has, besides, set up spokesman and deputy spokesman to take charge of proposals or disputes from shareholders.	No significant difference compared to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company is in a position to dominate the name lists of the key shareholders and the terminal controllers of the key shareholders and has duly input such information to public into the Market Observation Post System (MOPS) promulgated.	
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) The Company has duly enacted the Regulations Governing Transaction with Related Parties, Regulations Governing Supervision over Subsidiaries and has, besides, set up relevant departments with sound mechanisms to evaluate and monitor potential risks with affiliated enterprises.	
(4) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V		(4) The Company has duly acted the “Procedures for Handling Material Inside Information” and “Code of Ethics for Directors and Officers” and further in accordance with the Company’s internal control system, enacted Operating Procedures to Prevent Inside Trading and	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Management over Major Information to ban insiders from trading securities by taking advantage of the information which has not yet been made public in the market.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Whether the Board of Directors has formulated diversity policy and specific management objectives, and implemented such policy?</p> <p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the Company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?</p>	V	V	<p>(1) A. The Company stipulates guidelines for diversity in its “Corporate Governance Principles” to strengthen the function of the Board of Directors. The nomination and election of the Board of Directors of the Company is in accordance with the provisions of the Company’s Articles of Incorporation. In addition to assessing the qualifications of each candidate’s academic experience, and taking into account the opinions of interested parties, the Company’s “Election Rules of Directors” and “Corporate Governance Principles” are adhered to. To ensure the diversity and independence of the Board of Directors.</p> <p>B. Please refer to on page 31-32 of this annual report for the Company’s implementation of the diversification policy.</p> <p>(2) The Company has set up the Audit Committee and Remuneration Committee, the Company’s Independent Directors’ serve as the Committee members. For more details regarding the business performance of the Company’s Audit and Remuneration Committee, please refer to pages 43-46 & 55-56 of this Annual Report. The Company, nevertheless, has not yet set up committee of other functions to date.</p> <p>(3) The Board of Directors of the Company passed the “Rules for Evaluating Board of Directors Performance” on November 8, 2019, which stipulates that the Board of Directors shall perform performance evaluations for the Board of Directors, Board members, Remuneration Committee and Audit Committee at least once a year. The internal evaluation shall be conducted by the end of each year, and the current year’s performance evaluation shall be conducted in accordance with these Rules.</p> <p>Execution of Board performance evaluation, please refer to page 40-42 of</p>	No significant difference compared to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company regularly evaluate the independence of CPAs?	V		<p>this annual report.</p> <p>(4) The Company evaluates the independence and competency of CPAs on the basis of the independence of Article 47 of the Certified Public Accountant Act and the content of the Norm of Professional Ethics for Certified Public Accountant No. 10, and all CPAs will issue a letter of independence, which was submitted to the Board of Directors for approval on February 14, 2023. For the evaluation form of the independence and competency of CPAs, please refer to Note 1 on page 53 of this annual report.</p>	
4. Does the Company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance officer responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders’ meetings, and making minutes for Board meetings and shareholders’ meetings)?	V		<p>On August 5, 2020, the Board of Directors resolved to appoint Vice President Jun-Yi Yu as the Corporate Governance Officer to be responsible for supervision and planning of the corporate governance. His qualification meets the requirements of paragraph 1, Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The affairs of the corporate governance officer include:</p> <ol style="list-style-type: none"> I. Handling matters relating to board meetings and shareholders meetings according to laws. II. Producing minutes of board meetings and shareholders meetings. III. Assisting in onboarding and continuous development of directors. IV. Furnishing information required for business execution by directors. V. Assisting directors with legal compliance. VI. Report to the board of directors the results of its review on whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and during their tenure. VII. Handle matters related to the change of directors. VIII. Other matters set out in the Articles of Incorporation or contracts. <p>Report the operation of corporate governance to the Board of Directors on a regular basis every year.</p> <p>The detail of completed item in 2022 list as below, and is reported to the Board of Directors on February 14, 2023:</p> <ol style="list-style-type: none"> 1. The Company held 6 Board meeting, 5 Audit Committee meetings and 3 Remuneration Committee meetings in 2022. 2. Held 1 annual general shareholders’ 	No significant difference compared to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>meeting in 2022.</p> <p>3. Assisted board members in developing annual continuing education plans and arranging continuing education courses. All the members of Board of Directors completed 12 hours of entry education and 6 hours of continuing education courses in 2022.</p> <p>4. The Company maintains D&O insurance for its directors and key officers and report to the Board meeting.</p> <p>5. Regularly communicate with independent directors and CPAs about the Company’s financial and business situation. Please refer to page 45-46 of annual report and our website (http://www.innolux.com) for communication.</p> <p>6. The agenda and meeting materials of Board meeting mail/send to all directors 7 days before of the Board meeting and remind in advance if the issues require interest avoidance, and finished the meeting minutes in 20 days after the meeting.</p> <p>7. Booking the date of AGM, prepare meeting notice, meeting agenda and minutes within the statutory time limit, and handle change registration matters in the amendment of the Articles of Incorporation or the re-election of directors.</p> <p>8. The internal performance evaluation of the Board of Directors and functional committees was conducted. For the evaluation results of the Board of Directors, the Audit Committee, the Remuneration Committee and their individual members, please refer to page 40-41 of this annual report and the Company's website (http://www.innolux.com).</p> <p>9. Please refer to page 41-42 of annual report and the Company’s website (http://www.innolux.com) for the external evaluation execution of Board performance.</p> <p>10. Please refer to page 73 of annual report for the training situation of corporate governance officer.</p>	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as	V		The Company’s stakeholders include employees, shareholders/investors, customers, suppliers, society (communities, media, non-governmental organizations), etc. Relevant communication channels include the “Investor,” “Customer/Supplier Systems,” “Products & Tech” area set up on	No significant difference compared to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
well as handle all the issues they care for in terms of corporate social responsibilities?			the Company’s official website, as well as mailboxes for media contact, anti-corruption reporting, and corporate social responsibility (csr@innolux.com). To fully respond to the needs of stakeholders, the Company also equates the communication status, implementation plan, goals and results of all stakeholders related to sustainable development with regular reports on the Board's agenda each year. The communication status of all stakeholders in 2022 was reported to the Board of Directors on February 14, 2023. The issues of stakeholders please refer the annual report page 53-54 Note 2.	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company mandates Registrar & Transfer Agency Department of Grand Fortune Securities Co., Ltd. to be the Company’s shareholder services agent, and to handle the affairs related to the shareholders’ meeting.	No significant difference compared to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V V		(1) Through the Company’s website (http://www.innolux.com) we provide financial, business, and corporate governance information and keep updating. (2) The Company’s English website announces information and our Stock Administration Department, Public Relations Department, and the related department responsible for collecting and disclosing the related information also set up positions for its spokesperson in accordance with the regulations and the Company provides Investor Conference report on the official website. (3) The Company announced and reported annual financial statements within two months after the end of each fiscal year, and announced the operating conditions of each month and the interim financial statements within the prescribed time limit.	No significant difference compared to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors)? (1) Employee’s Rights Please refer to page 113-119 “V. Operational Highlights – 5.5 Labor Relations” of the annual report. (2) Employee Care The Company knows very well that employees are the cornerstone of sustainable growth, actively cares for				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>the physical, mental and spiritual health of employees, organizes leisure and recreational activities, promotes employee club activities, and optimizes programs for food, housing, transportation, and recreation, so that employees can enjoy a healthy and balanced life while after work. The Company designs various welfare measures and organizes various activities, including competitive activities, parent-child family activities, arts and culture activities, departmental cohesion activities, to meet the different needs of employees and achieve the exchange of sports, stress relief and interests, so that employees can strike a balance between work and family and enjoy their work without worries.</p> <p>In order to improve employees’ health awareness, we conduct regular health checkups and provide employee health consultations every year. In addition, in order to ensure the well-being of female employees, and in accordance with the labor regulations of the locality of the plant, the implementation of the maternity leave pay allowance, the strengthening of the fetus rest and the family care leave, etc., for the female employees of pregnancy, implement the health risk assessment, adjust the work as needed. Under the principle of maternity protection and employment equal rights, create a friendly working environment for female employees.</p> <p>(3)Investor relations, the rights of suppliers and stakeholders</p> <p>According to different interested groups, the Company has established multiple and unobstructed communication channels, such as setting up a stakeholders area on the Company’s webpage, so that we can keep communicating and getting feedback from those interests groups’ needs and expectations.</p> <ol style="list-style-type: none"> 1. Employees: Establish communication channels such as employee care hotline, employee care mailbox, APP-Employee Assistance Programs (EAPs), mobilization meeting communication meeting, government decrees on the system, labor-management meetings, job welfare meetings, seminars for various departments and satisfaction surveys, etc. 2. Shareholders/Investors: The Company treats our shareholders with the principle of fairness and openness. We call the shareholders meetings according to the Company Act and other related laws every year, encourage stockholders to actively participate in the stockholders meeting with proposals and questions. 3. Customers: We have salespeople and customer service units to reply to customers’ demands effectively, establish a volume of customer (VOC) system, monitor the progress of handling issues, field audits and questionnaire feedback, and customers’ satisfaction survey. 4. Suppliers: Setting up an interactive platform for supplier purchasing and procurement management, and a buyer and procurement management department to host regular biweekly/monthly quality meetings with suppliers, and annual supplier conferences, and provide anti-corruption reporting mailboxes. 5. Society (communities, media, non-governmental organizations / non-profit organizations): There are full-time departments to respond in a timely manner, and the media contact mailboxes and telephones to respond by specified personnel, issue press releases and statement from time to time, and hold press conferences. The Company also has Facebook and Instagram fan pages of “Innolux ESG DNA”, where it publishes company-related news from time to time. <p>(4) Continuing education for directors</p> <p>The Company’s directors have both professional background and practical experience. The Company arranges continuing education for directors and every year. For the continuing education for directors in the latest year and as of the publication date of annual report, please refer to page 69-71 of this annual report.</p> <p>(5)Implementation of risk management policies and risk measurement standards</p> <p>In order to strengthen the risk management mechanism, the Company approved the “Risk Management Policy and Procedures” in October 2020. The Board of Directors is the highest decision-making body of the risk management mechanism and is responsible for approving the overall risk management policies and major decisions with the goal of sound operation and sustainable development. The Board of the Company has established risk management policies and procedures to establish a risk management system to regularly monitor the related financial risks, regulation risks, climate change risks, hydropower risks, supplier chain risks, information safety risks, and the occupational safety and health risks to enhance the competitiveness of the industry.</p> <p>The risk management process mainly includes risk identification, risk assessment and risk response.</p> <p>Risk identification: Identify relevant risk items according to regulations, industry standards and international development trends.</p> <p>Risk assessment: The degree of risk is comprehensively considered according to the severity and frequency of occurrence</p> <p>Risk response: According to the degree of risk, formulate control measures and response plans. The criteria for evaluating control plans generally include effectiveness, feasibility and cost.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(6)The implementation of customer policy In addition to attaching importance to the confidentiality and privacy of customer information, the Company also establishes complete information collection system, coupled with intelligent analysis and diagnosis to quickly drive improvements and satisfy customer needs, accurately predict customer rankings, achieve customer satisfaction and protect the interests of the Company through risk warning with quality indicators and in-depth retaining customer relationships, to become a value-creating information center. In addition, in-depth analyzes customers’ requirements and expectations through customer satisfaction survey annually. We also set up Task Force teams for major customer complaints and exceptions, and work with customers to implement quality improvement projects to satisfy them. This shows that the Company values customer feedback and continues to improve and adjust to meet customer expectations.</p> <p>(7) Purchase of liability insurance for Directors: The Company has purchased liability insurance for its directors.</p> <p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures for those unimproved: The Company has set up its “Corporate Governance Principles” according to the revised Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies by the Taiwan Stock Exchange Corporation (TWSE). The Company has been working hard on sustainable economy, environment, and society and fulfilling long-term and sustainable responsibility to individual stakeholders and the whole society based on business core value of honesty and integrity. The areas that require immediate improvement are described below:</p>				
Evaluation Indicators		Priority items to be improved and measures		
Whether or not the Company adopt and disclose on the Company website internal rules that prohibit company insiders such as directors or employees from trading securities using information not disclosed to the market. The rules mentioned in the preceding paragraph include stock trading control measures from the date insiders of the Company become aware of the contents of the Company's financial reports or relevant results. Measures shall include, without limitation, those prohibiting a director from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports and explain the implementation situation?		Formulate the "Management of Preventing Insider Trading", the normative content "may" or "shall" include that directors are not allowed to trade its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.		

Note 1: Evaluation form of the independence of CPAs

No.	Evaluation Item	Results
1	No major financial interested relationship with the client.	■ Yes □ No
2	Avoiding any improper relationship with the client.	■ Yes □ No
3	The accountant should supervise their assistants to strictly comply with honesty, justice and independence.	■ Yes □ No
4	The accountant is prohibited from auditing certification for the Company's financial report where he/she served in within the previous two years.	■ Yes □ No
5	The accountant's identification is forbidden to be infringed by another individual.	■ Yes □ No
6	The accountant does not hold any shares in the Company or in its subsidiaries.	■ Yes □ No
7	The accountant does not owe any debt to the Company or its subsidiaries.	■ Yes □ No
8	The accountant is not in any joint investment or benefit-sharing relationship with the Company or its subsidiaries.	■ Yes □ No
9	The accountant is not employed and paid regularly by the Company or its subsidiaries.	■ Yes □ No
10	The accountant does not receive any commission which is occupational-related.	■ Yes □ No
11	The accountant is subject to disciplinary actions does not over 7 years or returning does not less than 2 years.	■ Yes □ No
12	The accountant audit experience obtain the Electronic industry.	■ Yes □ No

Note 2: The concerned issues of stakeholders, communication channel and response method

Stakeholder	Concerned issues	Major Communication Channel, Response Method, Frequency	Result in 2022
Employees	Recruitment and staffing Human rights Talent development and training Occupational health and safety Digital Transformation	Communication channel: 1. Labor-management meeting: quarterly 2. Unit meeting: irregularly 3. Satisfaction survey: irregularly 4. Care hotline and employee care Mailbox: irregularly 5. APP-Employee Assistance Programs (EAPs): irregularly Contact person: North factory: Ms. Liu / hr.jn@innolux.com / 037-586000#64650 South factory: Ms. Wang / hr.tn@innolux.com / 06-5051888#47276	Over 100 labor-management meetings in Chinese area Over 1,000 internal communication cases in Chinese area
Shareholders/ Investors	Financial performances ESG risk management Legal compliance Corporate Governance Diversity and equality	Communication channel: 1. AGM: yearly 2. Institutional investor conference: half-yearly 3. Investor Forum: quarterly 4. Annual report and ESG report: yearly 5. Investors/Analysts conference: irregularly 6. Investors' hotline and mailbox: irregularly 7. Releasing material information on MOPS: irregularly Contact person: Investor Relations: Ms. Chen/ ir@innolux.com / 06-5051888#47154 Stock Affairs: Ms. Chen / ir@innolux.com / 037-586000#63588	40 investors communication conference Nearly 100 hotline and mailbox response 155 pieces of material information (Chinese/English) and 125 pieces of announcements

Stakeholder	Concerned issues	Major Communication Channel, Response Method, Frequency	Result in 2022
Customers	Customer relationship management Supply chain management Legal compliance Cyber Security Corporate Governance	Communication channel: 1. Customer satisfaction survey analysis 2. Voice of customer (VOC) 3. Customer complaint handling and review: irregular 4. Customer meeting 5. Customer auditing Contact person: Ms. Huang / sales@innolux.com / 06-5051888#44856	Over 10 large-scale customer cooperative development and quality conferences Over 100 VIP customers audit conferences of quality result Over 1,000 routine communication meeting
Suppliers/ Contractors	Occupational health and safety Human rights Customer relationship management Diversity and equality Recruitment and staffing Talent development and training	Communication channel: 1. Supplier communication meeting: biweekly, monthly 2. Annual suppliers' meeting: yearly 3. On-site audit guidance: irregularly 4. Anti-corruption mailbox: irregularly 5. Suppliers' self-assessment questionnaire: yearly Contact person: SRM (Supplier Relationship Management): (website address: http://srm.innolux.com/) An interactive platform for information exchange between purchasing/material control units and suppliers	Hundreds of suppliers CIP meetings Nearly 100 suppliers communication meetings Dozens of external whistleblowing cases
Society (communities, media, non-governmental organizations / non-profit organizations)	Social participation and Caring Corporate Governance Air pollution control Water resources management Diversity and equality	Communication channel: 1. Volunteer Service: irregularly 2. Project cooperation and visit: irregularly 3. Neighborhood communication: irregularly 4. Events and forums: irregularly 5. "Innolux ESG DNA" Fan page on FACEBOOK and Instagram: irregularly. 6. Press conference and press releases: irregularly Contact person: Sustainable Development Management Department: Ms. Yu / csr@innolux.com / 06-5051888#47042 PR: Ms. Chien / pr@innolux.com / 06-5053760#47153 Innolux Corporation Education Foundation: Ms. Guo / Foundation@innolux.com / 06-5051888 #47060	1,531 beneficiaries 7 net-zero carbon emission environmental education program campus teams More than 300 media communications via text messages and phone calls 66 press releases and 14 press conferences 9 media interviews

3.4.4 Operations of the Remuneration Committee

A. Information on members of the Remuneration Committee

March 31, 2023

Identity	Qualification	Professional qualifications and experience	Independence	Number of public companies for which the committee member concurrently serves in their remuneration committees
	Name			
Independent Director (Convener)	Chi-Chia Hsieh	Please refer to “Directors” in page 19-21 and “Professional qualifications and experience for Directors” in page 22-23 of annual report.	Please refer to “Independence of Directors” in page 23-31 of annual report.	—
Independent Director	Chih-Wei Wu			3
Independent Director	Chi-Mo Huang			1

B. Attendance of Members at Remuneration Committee Meetings

- (1) There are 3 members in the Remuneration Committee.
- (2) The term of office of the current committee members: July 1, 2022 to June 30, 2025. In the most recent year (2022), the Remuneration Committee met 3 times (A). The qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	Chi-Chia Hsieh	3	—	100.00%	Reelected
Committee Member	Chih-Wei Wu	1	—	100.00%	New appointment
Committee Member	Chi-Mo Huang	1	—	100.00%	New appointment
Committee Member	Stanley Yuk Lun Yim	2	—	100.00%	Retired
Committee Member	Zhen-Wei Wang	2	—	100.00%	Retired

Note: The Board of Directors was fully re-elected on June 24, 2022 and the newly elected directors took office on July 1 of the same year. The Remuneration Committee convened two times before the re-election and one time after the re-election. The actual attendance (%) was calculated based on the number of meetings and the actual number of attendances during his tenure.

Other items to be recorded:

I. Scope of duties of the Remuneration Committee

- (I) Periodically reviewing the Remuneration Committee Charter and making recommendations for amendments.
- (II) Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors, and managerial officers of the Company.
- (III) Periodically assessing the degree to which performance goals for the directors, and managerial officers of the Company have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

- (I) Salary management should conform to the Company’s salary concept.
- (II) Performance assessments and compensation levels of directors, and managerial officers shall take into account the general pay levels in the industry, individual performance assessment results, and the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.
- (III) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

II. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, term, motion contents, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.

III. The resolutions of the Remuneration Committee and the Company's response are as follows:

Board Meetings	Remuneration Committee Meetings	Motion Contents	Resolution of the Remuneration Committee	The Company's response to the members' opinions
17th meeting of the 8th term 2022.02.11	10th meeting of the 4th term 2022.02.11	1. Proposal of 2021 employees' and directors' remuneration distribution 2. Proposal for the remuneration of managerial officers	Approved by all committee members present as proposed	Approved by all directors present as proposed
19th meeting of the 8th term 2022.05.11	11th meeting of the 4th term 2022.05.11	1. Proposal for the remuneration of managerial officers and directors (including independent directors) 2. Proposals for remunerations to employee directors and managerial officers in 2021	Approved by all committee members present as proposed	Approved by all directors present as proposed

3.4.5 Composition, Responsibilities and Operations of the Nominating Committee: N/A.

3.4.6 Sustainable Development Implementation Status and Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Whether or not the Company establishes a governance framework and sets up a dedicated (concurrent) unit that promotes sustainable development; whether or not senior management is delegated by the Board of Directors to deal with sustainable development issues and the supervision of the Board?	V		<p>The Company established the Sustainable Development Management Committee in 2011 as the highest-level of the internal organization to promote sustainable development and is responsible for formulating the Company’s sustainable development policies and the promotion strategy thereof. The Sustainable Development Committee is chaired by the Chairman with President being the vice chairman and Chief Human Resource Officer being the Chief Sustainable Development Officer. The Committee members consist of the top executives of the manufacturing centers in Taiwan and China and the top executives of the relevant functional departments.</p> <p>The Company has set up a Sustainable Development department as a special promotion organization. On December 27, 2021, the Board of Directors amended the Company's “Sustainable Development Best Practice Principles”, and authorized the Chairman or his/her designee to propose and implement corporate sustainable development policies, systems or related management guidelines and specific promotion plans, and to conduct risk assessments of environmental and social corporate governance issues related to the Company's operations in accordance with the material principles. The implementation result for year 2022 and the work plan for next year were reported to the Board of Directors on February 14, 2023, so that the Board could supervise and assist the management team to promote sustainable performance.</p>	No significant difference compared to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		<p>In order to strengthen the risk management mechanism, the Company approved the “Risk Management Policy and Procedures” in 2020. The Board of Directors is the highest decision-making body of the risk management mechanism and is responsible for approving the overall risk management policies and major decisions with the goal of sound operation and sustainable development.</p> <p>The Company has set up “three lines of defense for risk management” and defined the organization, responsibilities and functions of each line of defense. Through the risk management mechanism of early identification, accurate measurement, effective supervision and strict control, the Company will prevent possible losses within the tolerable risk range and continuously adjust and improve the best risk management practices in accordance with changes in the internal and external environment to protect the interests of employees, shareholders, partners and customers, increase the value of the Company, and</p>	No significant difference compared to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>achieve the principle of optimum allocation of the Company's resources.</p> <p>Risk identification: identifying relevant risk items according to laws and regulations, industrial standards and international development trends.</p> <p>Risk assessment: comprehensive consideration of the severity and frequency of the risk.</p> <p>Risk response: formulating control measures and response plans according to the degree of risk. The criteria for evaluating control plans generally include the effectiveness, feasibility and cost.</p> <p>The Company's relevant risk management policies and effectiveness are disclosed in the annual ESG Report and the official website.</p>	
<p>3. Environmental issues</p> <p>(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(2) Does the Company endeavor to utilize energy resources more efficiently and use renewable materials which have low impact on the environment?</p>	<p>V</p> <p>V</p>		<p>(1) The Company has been actively promoting relevant EHS management systems and occupational Safety and Health Management System and so forth in order to facilitate a positive cycle of gradual improvement for green sustainability and safety culture.</p> <p>The Company began to introduce environmental management system and obtained verification as early as 2001, and obtained the ISO14001:2015 new version of the standard verification certificate issued by the impartial third-party verification agency in 2022. The Company will continue to strive for sustainable environmental management and system improvement.</p> <p>The Company's Taiwan factory EMS certificate is verified by a third-party verification agency (SGS). The latest verification date: December 11, 2022, and the certificate validity period: December 11, 2025.</p> <p>(2) The Company has been promoting green manufacturing for a long time, and has been increasing the resource reuse rate, examining the effectiveness of water saving, electricity saving, greenhouse gas emission, waste reduction and chemical recycling to reduce the environmental impact. In order to implement responsible procurement and strengthen low-carbon management, as the three missions to promote sustainable development of the environment, the Company takes energy saving, material saving, and non-toxic as the elements of product design and manufacturing management; in addition to improving product functions, we also enhance the environmental friendly features of our products to achieve the sustainable goal of starting from product compliance, expanding the impact on society, and achieving mutual benefits with the environment.</p>	No significant difference compared to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the Company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	V		(3) The Company has included climate change as one of its major corporate sustainability risks and has set and promoted climate action targets through the operation of the Sustainable Development Management Committee and under the supervision of the Board of Directors. At the same time, in order to move toward environmental sustainability, carbon risk and energy management are currently important implementation directions, and we follow the Task Force on Climate-related Financial Disclosures (TCFD) framework to identify risks and opportunities related to climate change, and implement greenhouse gas mitigation and adaptation to reduce the impact of climate change on financial performance.	
(4) Does the Company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation, carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	V		<p>(4) The Company has counted greenhouse gas emissions, water consumption and total waste weight for many years. Continuously improve electricity efficiency and clean process improvement for specific production to reduce greenhouse gas emissions, complete greenhouse gas inventory in accordance with ISO14064-1:2018 and pass third-party external verification to understand the space for improvement. “Climate Change” received B – rating and “Water Management” received B rating in Carbon Disclosure Project (CDP) of 2022.</p> <p>In response to global climate change and the international vision of net zero emissions, the Company has established a Carbon Risk Management Committee to coordinate the planning of the Company's carbon management vision, carbon reduction strategy, medium- and long-term carbon reduction target setting and promote the carbon reduction action plan, so as to make the greatest efforts to protect the environment. Facing the challenges of water resources, the Company focused on water saving and recycling, and improved the efficiency of water resources management to effectively respond to the water shortage crisis. In terms of waste reduction, it is implemented to promote waste reduction and recycling at the source. The ESG report is issued every year to disclose the Company's policies and effectiveness in greenhouse gas emissions, water consumption and waste management.</p>	

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>4.Social issues</p> <p>(1)Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	V		(1) The Company attaches importance to human rights issues. For the protection of human rights of our employees, contracted or temporary employees, customers, suppliers and society worldwide, based on the United Nations’ Global Compact, the United Nations Guiding Principles on Business and Human Rights (UNGP), the Responsible Business Alliance (RBA), the International Labor Organization (ILO) and local legal requirements, and in line with the principles of ensuring fair treatment and respecting for individual differences, we have established various basic rules to ensure that our daily operations and all business activities meet the requirements. The “Innolux Code of Conduct”, “Employee Handbook”, “Work Rules”, “Recruitment/Employment Regulations”, “Sexual Harassment Prevention and Control Measures, Complaint and Management Practices”, “Measures to Prevent and Control Unlawful Infringement in the Performance of Duties”, “Employee Care and Assistance Practices in the Greater China Region”, and other relevant documents clearly state the protection of employees’ human rights, including legal requirements, freedom of employment, humane treatment, prohibition of improper discrimination and harassment, and protection of employee complaints. Human resources management processes are integrated with human rights publicity and are specifically presented in the implementation direction. In addition, we have also established the “Supplier Corporate Social Responsibility Code of Conduct Operating Standard” to require the cooperative suppliers or service providers to comply with the same requirements.	No significant difference compared to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
<p>(2)Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?</p>	V		(2) The Company provides diversified and competitive remuneration and career development opportunities, and is committed to building an internally reasonable and externally competitive remuneration system. It also has an overview of the Company's financial and operating conditions, the industry's annual salary adjustment strategy and personal work performance, improves the planning and execution of annual salary adjustment operations, design and issue incentive bonuses to motivate and retain outstanding talents. At the same time, in order to motivate and employees to stay and create better value, we plan retention bonus and employee stock ownership trusts to achieve a win-win situation.	

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The Company sets up the environmental safety unit, which is responsible for planning, implementation, auditing and improvement of the Company’s environmental safety and health management system operation and has environmental safety and quality policies. The Company has obtained the occupational health and safety management system verification and requires all departments to implement relevant safety execution of health services and regular education and training, including the planning and execution of fire-fighting equipment (administration) and water and electricity, the monitoring and control of business waste cleaning, and emergency handling procedures, etc. The Company created a high-quality workplace environment for employees.	
(4) Does the Company provide its employees with career development and training sessions?	V		(4) The innovative spirit, enthusiasm, and professionalism of our employees are the driving force of our sustainable management. To this end, we have established “Innolux University” to focus on the development and cultivation of “digital” and “trans-boundary” talents. Based on the “Concept Map of Employee Development in Time and Space”, the Company implements the structured talent development strategy and provides customized and systematic learning courses and talent development according to the working time, position and career development needs, so as to promote a win-win situation for both personal career and company growth. Through this systematic cultivation mechanism, employees can achieve continuous growth by giving full play to their strengths.	
(5) Does the Company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services etc., and has it established consumer rights protection policies and complaint procedures?	V		(5) The Company is committed to meeting compliance requirements and complying with regional sales market safety and regulatory requirements in the design process. In terms of regulatory identification, we establish control standards; in terms of material verification, we establish systems to ensure material compliance; in terms of product certification, we implement global market access requirements; in terms of customer demand management, we strive to meet customer’s compliance requirements, actively ensure product compliance, and make improvements to expand into new market segments. In addition to the regular requirements, the Company adheres to the spirit of making improvement and striving for excellence, carries out low blue light Eyesafe certification for notebook products to ensure that product designs meet the next generation of eye protection technology and certification standards and enhance consumers' willingness to purchase. The Company has established operating principles that are customer-oriented and through means of telephone calls, email exchanges and face-to-face meetings, we are able to have solid grasp of customers’ needs so as to formulate improvement strategies to respond to customers in a timely manner.	

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(6) Does the Company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	V		<p>(6) The Company formulates the “Supplier Corporate Social Responsibility Code of Conduct Operating Standard” based on the Responsible Business Alliance Code of Conduct (RBA), and expects suppliers to work together to implement ESG (environmental, social and governance) management in all aspects of business ethics, labor human rights, health, safety, environment and management systems, so as to improve the effectiveness of sustainable supply chain management and achieve operational risks control to establish a partnership of coexistence and mutual prosperity. In 2022, in order to deepen the sustainable supply chain management efforts, the Company set a carbon reduction target for our supply chain in with 2020 as the base year, that is, key suppliers should reduce carbon emissions by 20% by 2030. This expresses our determination to call on suppliers to reduce carbon emissions and achieve the goals of cost reduction and carbon reduction to enhance the competitiveness of our supply chain.</p> <p>Prior to the introduction of new suppliers, the Company requires suppliers to comply with the “Supplier Corporate Social Responsibility Code of Conduct Operating Standard” and sign the “Letter of Supplier's Undertakings”. The supplier will become a qualified supplier after the Company's Legal Department reviews and approves their qualifications. In particular, key raw materials suppliers are required to fill in a corporate social responsibility risk questionnaire (SAQ) every year to assess compliance with the five major aspects of RBA, including labor, health and safety, environment, business ethics, and management system. According to the supplier's response to the questionnaire and the relevant supporting information provided by the supplier, the Company will determine the sustainability risk. If a supplier is determined to be at high risk, on-site audits will be initiated and continuous follow-up and direction will be provided for improvement. We hope that our suppliers will not only comply with the relevant regulations of our Company, but also require the compliance of the next level of their supply chain.</p>	

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as ESG reports? Do the reports above obtain assurance from a third party verification unit?	V		The Company’s 2022 ESG Report is based on the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Sustainability Reporting Association on October 5, 2021 and passed the certification of the third-party verification unit SGS Taiwan Ltd. (SGS), which guaranteed that we are in line with the spirit of the AA1000 (2018) Assurance Standard second application type high assurance level, the In Accordance option of the GRI Standards 2021, and SASB sustainability indicators disclosure requirements.	No significant difference compared to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
6. If the Company has established the Sustainable Development Best Practice Principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: In order to implement sustainable development, the Company formulates the Company's corporate code of conduct according to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Responsible Business Alliance Code of Conduct (RBA Code of Conduct), and formulates the sustainable development management policy based on the above code , which covers corporate governance, environmental protection, employee care, supply chain social and environmental responsibility management, and community involvement. It also emphasizes the inclusion of social and environmental opportunities and risks in the operational management, and strive to strengthen communication and integration with our stakeholders to build our sustainable competitiveness.				
7. Other important information to facilitate better understanding of the Company’s sustainable development implementation: The Company believes that a company should not only strive for sustainable operation, but also be able to work with society for mutual benefits and co-prosperity. We jointly promote with the Innolux Education Foundation. In community participation and social care, public welfare care and environmental education are the main axes to realize the synergy of sustainable management. In addition to issuance of report on the complete and detailed sustainable development performance, the relevant information is also published on the Company's website and MOPS. (1) Charity care: In 2022, the Company continued a series of activities named “Unlimited Charity Love”, including a joint effort with the Taiwan Fund for Children and Families (TFCF) to collect Christmas gifts for disadvantaged children in Miaoli and Tainan area, and provided 1,000 gifts; we also held the “Beautiful Taiwan Charity Seminar of Director Chu”, which invited director Chuan-Lee Chu, who won the Hollywood International 3D Award and Golden Bell Award, to give a talk about his 10 years of travel around Taiwan and using movies to open up the horizons of children in remote areas. A total of 54 colleagues participated in the activities. This realized our local care and helped disadvantaged children learn happily and grow positively. We hope to give full play to our corporate influence and do our part for children from disadvantaged families; so that we can brighten up the remote areas and keep the love alive. (2) Environmental education: In recent years, the Company has continued to work on ESG issues, implement our environmental commitments and deepen our environmental protection efforts by promoting various environmental protection issues and environmental engagement activities, to work towards a sustainable environment. In 2022, we not only held environmental education events and beach and forest cleanup events in the areas where our plants are located, but also launched the original “Zero Carbon Emission” environmental education program in Taiwan, and developed “online” and “physical” environmental education learning resources in the hope of creating a sustainable concept of zero carbon emission through deep education. Through contextual learning, puzzle solving and interactive games, students had a better understanding of the net-zero carbon emissions concept and are inspired to think about environmental issues and actions. A total of 531 students from 7 teams were benefited. We expect to increase the knowledge and awareness of environmental protection through these environmental activities.				

3.4.7 Ethical Corporate Management Implementation Status and Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1.Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?</p> <p>(2) Does the Company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	V		<p>(1) Integrity and integrity are the Company’s most important operating stone, which consolidates the Company’s leadership role in the display industry and gains the trust and respect of customers, shareholders, employees, suppliers and society. The Company’s integrity management policy has been set out in the “Ethical Corporate Management Best Practice Principles for Innolux Corporation”, “Corporate Governance Principles”, “Sustainable Development Best Practice Principles”, “Code of Ethics for Directors and Officers” adopted by the Board of Directors. Various internal regulations and external documents, such as Employee Code of Conduct, and Supplier Corporate Social Responsibility Code of Conduct Operating Standard, express the policies and practices of operating in good faith, and strictly require employees of the Company to fulfill the Company’s integrity policy. At the same time, the Company’s annual report and ESG report and other documents also detail the Company’s integrity management policy and the Board of Directors and management’s commitment to actively implement the situation.</p> <p>(2) In order to prevent dishonesty, the Company has strengthened relevant prevention measures in regulations and external documents for business activities with a high risk of dishonesty, and regularly checks, analyzes and evaluates whether the prevention measures are operating effectively to review and correct the prevention measures. In addition, the Company requires all employees to understand the aforementioned specifications in detail, and publish the specifications on the Company’s official website and internal website for internal and external personnel to consult at any time. The Company continues to use regular education and training and diversified publicity methods to make employees clearly aware of the norms they should abide by, thereby reducing the occurrence of dishonest behavior.</p>	No significant difference compared to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the Company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	V		(3) Ethical Corporate Management Best Practice Principles for Innolux Corporation, Code of Ethics for Directors and Officers, Employee Code of Conduct and Supplier Corporate Social Responsibility Code of Conduct Operating Standard are set to prevent dishonesty norms, for all employees and suppliers to follow together, but also in the Innolux corruption investigation and management practice norms for dishonest behavior of the whistle-off system, including whistleblowing law, whistleblowing channels and handling process, for internal and external personnel to file a complaint. The Company will take a fair attitude towards dishonesty and investigate and report cases in a rigorous manner, and in the event of a violation, the Company will take appropriate legal action in accordance with the relevant laws and work rules.	
2.Fulfill operations integrity policy (1)Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts? (2) Does the Company establish a dedicated unit under the Board of Directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan? (3)Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V V V		(1)The Company requires global suppliers to comply with the Supplier Corporate Social Responsibility Code of Conduct Operating Standard and sign a manufacturer's commitment to jointly practice the Company’s corporate culture of integrity management. In addition, the Company continues to conduct policy communications to suppliers and customers to communicate the Company’s integrity management culture to suppliers and customers, and to understand whether any misconduct has occurred. (2) The Company is led by the Corruption Incident Investigation Team as a responsible unit. It continues to promote various integrity management plans in accordance with company policies, and promotes integrity and cleanliness matters. Integrity management policies, prevention of dishonesty behavior plans, supervision, and implementation situation in 2022 (as of December 31, 2022) have been conducted an annual report to the Board of Directors on February 14, 2023. If there is a case of violation of integrity and integrity, the Company will handle it in accordance with the regulations of the investigation and management of the corruption incident of Innolux. (3)The Company has set out the relevant codes of conduct for the prevention of conflicts of interest in the “Code of Ethics for Directors and Officers” and Employee Code of Conduct. All colleagues are required to voluntarily declare and avoid any conflict of interest. In order to implement the policy, the Company also requires employees to fill out an annual questionnaire survey to voluntarily report any conflicts of interest.	No significant difference compared to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(4) Does the Company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?</p> <p>(5) Does the Company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>(4) The Company establishes a complete and effective accounting system and internal control system to ensure the continuous design and implementation of the system. In addition to regular audits by the internal auditing unit of the Company and its compliance with the anti-corruption measures formulated in accordance with the risk assessment results within the Company, there is also PricewaterhouseCoopers to regularly check the financial statements for the Company.</p>	
	V		<p>(5) Education and training are the most important part of the Company’s implementation of the integrity policy. The Company continues to strengthen the compliance awareness of colleagues through the integrity management education and training courses, and at the same time uses the official website, startup screens, and screen savers to continue to promote integrity management standards. The Company regularly organizes internal education and training on anti-corruption policies. The theme of the 2022 course is the company’s anti-corruption policy and related case analysis. It took about one hour (including lectures and quizzes), and the number of participants and completed training was 13,588. In addition, in order to ensure that suppliers follow the Company’s integrity management policy, in addition to drafting supplier's corporate social responsibility codes of conduct and operating specifications for suppliers to follow, the Company has also announced the specifications on the Company’s official website for their reference at any time.</p>	
<p>3. The operation of the Company's whistleblowing system</p> <p>(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p>	V		<p>(1) The Company set up a report mailbox in the official website to provide whistleblowing channels, reception procedures and other information (speak-up@innolux.com) for internal and external personnel at any time to use. In addition, this reporting channel information is disclosed in the Company’s boot screen, internal advocacy posters and the Letter of Supplier's Undertakings that suppliers should sign, so that internal and external people are informed and make full use of the whistleblowing channels to report. Report cases according to the Innolux's corruption investigation and management practices set up an investigation team to investigate.</p>	No significant difference compared to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the Company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation? (3) Does the Company provide proper whistleblower protection?	V V		(2) The Company has formulated detailed investigation procedures and related confidentiality mechanisms for the investigation and management of the corruption incidents of Innolux Corporation. For investigations of reported cases, the Company conducts investigations in a confidential and rigorous manner. After the investigation of the reported cases is completed, the Company takes follow-up measures according to the severity of the internal rules. If criminal responsibility is involved, it will be transferred to the judicial office for investigation. (3) The Company strictly prohibits any form of retaliation. In order to protect the whistleblower, the Company clearly stated in the Innolux Corporation Code of Conduct that the Company will protect the whistleblower from any retaliation caused by the report, and prohibits colleagues from taking any retaliation measures. In the course of the investigation, the investigation team did abide by the relevant provisions of the confidentiality of the informant’s identity and anonymous reporting, strictly abided by the standard operating procedures for the investigation of the report, and related confidentiality mechanisms, to protect the confidentiality of the informant’s identity, so that the informant would not suffer from the report improper disposal.	
4. Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	V		The Company discloses the “Ethical Corporate Management Best Practice Principles” on the Company’s official website and MOPS. It also discloses related information about operational integrity and implements results in the ESG Report and official website.	No significant difference compared to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has enacted “Ethical Corporate Management Best Practice Principles for Innolux Corporation” in accordance with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and disclosed on the official website and MOPS. All of the Company’s colleagues and affiliates are required to comply with these provisions, there is not conformity with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.				
6. Other important information to facilitate a better understanding of the ethical corporate management operation of the Company (e.g., review and amend its policies.): (1) Strictly abide by the business conduct regulations and other relevant regulations for listing companies as the basis for the implementation of integrity management, and continue to identify and update the regulations to ensure the implementation of the regulations. (2) The Company continues to conduct business ethics regulatory risk assessments every year, and implements the Company’s business ethics risk management through the internal control system.				

3.4.8 Corporate Governance Guidelines and Regulations

The Company has established the Corporate Governance Principles, which addresses the protection of shareholders' rights and interests, strengthens the functions of the Board of Directors, respects the rights and interests of stakeholders, and enhances information transparency. It also reviews and evaluates the corporate governance evaluation. The actual implementation of the quantitative indicators is expected to assist the Company to gradually establish a good corporate governance system to enhance the effectiveness of corporate governance. For the Company's corporate governance operation, please refer to the annual report. For the Company's corporate governance operation, please refer to the annual report, 3.4 Implementation of Corporate Governance of III. Corporate Governance Report (pages 39-80). For the Company's Corporate Governance Principles and related regulations, please inquire on the MOPS or the Company's website.

3.4.9 Other Important Information Regarding Corporate Governance

1. The Company has established the Procedures for Handling Material Inside Information that clearly regulates the handling and disclosure of important internal information. Relevant procedures are regularly reviewed to meet the current laws and regulations and the practical management needs, and internal announcements have been made in the Company along with relevant trainings for all employees.
2. The Company began to plan the introduction of Taiwan Intellectual Property Management System (TIPS) at the end of 2021, and passed the TIPS-A certification on November 4, 2022, which confirmed that the Company has established intellectual property management plan related to its business objectives and that the intellectual property management system conforms to industry trends and can protect the Company's interests and enhance its market competitiveness.
3. In order to strengthen our competitive edge, the Company continues to combine operational objectives and R&D resources to formulate intellectual property strategies and to implement intellectual property deployment and protection measures. In particular, we have established tactic deployment strategies for intellectual property management (including patent education and training, proposed evaluation mechanism, incentive system, post-approval evaluation, and patent revitalization strategy), and have also established a patent management system to create a comprehensive patent control framework to strengthen the control, utilization, and deployment of patents. As of printed date of annual report, the Company has an aggregate of approximately 12,700 patents worldwide.

In addition, for trademarks, copyrights, and trade secrets, the Company continues to actively perform trademark examination and arrangement in accordance with the relevant management regulations. As of printed date of annual report, the Company has obtained 116 registered trademarks worldwide. In addition, we control trade secrets and copyrights through strict security measures, and further extend the protection of all intellectual property to effectively control and integrate the superior resources of intellectual property, strengthen the Company's competitiveness, and ensure the competitive advantage.

The implementation of the Company's 2022 intellectual property management plan was reported to the Board of Directors on February 14, 2023.

4. Status of Directors' participation in corporate governance related courses and trainings in 2022:

Title	Name	Date	Sponsoring Organization	Course	Hours
Chairman	Jin-Yang Hung	2022.04.12	Corporate Operating and Sustainable Development Association	Disclosure of Material Information and Case Analysis of Directors' Liabilities	3
		2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
Director	Chu-Hsiang Yang	2022.04.12	Corporate Operating and Sustainable Development Association	Disclosure of Material Information and Case Analysis of Directors' Liabilities	3
		2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
Director	Jyh-Chau Wang	2022.04.12	Corporate Operating and Sustainable Development Association	Disclosure of Material Information and Case Analysis of Directors' Liabilities	3
		2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3

Title	Name	Date	Sponsoring Organization	Course	Hours
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
Director	Ching-Lung Ting	2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
Independent Director	Chi-Chia Hsieh	2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.09.28	Taiwan Institute for Sustainable Energy	Corporate Net-Zero Sustainability Planning and Outlook	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
Independent Director	Chih-I Wu	2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3

Title	Name	Date	Sponsoring Organization	Course	Hours
Independent Director	Chih-Wei Wu	2022.06.21	Taiwan Corporate Governance Association	Innovation and New Opportunities for Hotel Management in the Post-pandemic Era	3
		2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
		2022.11.25	Taiwan Corporate Governance Association	Establish a remuneration system for senior executives conducive to the long-term development of the organization	3
Independent Director	Hsin-Bei Shen	2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
Independent Director	Chi-Mo Huang	2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3

5. Status of Managerial Officers participating in corporate governance related courses and trainings in 2022:

Title	Name	Date	Sponsoring Organization	Course	Hours
Chairman & CEO	Jin-Yang Hung	2022.04.12	Corporate Operating and Sustainable Development Association	Disclosure of Material Information and Case Analysis of Directors' Liabilities	3
		2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
		2022.03.23	Innolux Corporation	Digital Transformation Lecture Digital Transformation History and Future Prospects	1.5
		2022.04.06		Digital Transformation Lecture: Blue Lake Strategy	2
		2022.04.20		Domestic and International Trends and Domestic Solutions of Net Zero Carbon Emission	1
President & COO	Chu-Hsiang Yang	2022.04.12	Corporate Operating and Sustainable Development Association	Disclosure of Material Information and Case Analysis of Directors' Liabilities	3
		2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
		2022.03.23	Innolux Corporation	Digital Transformation Lecture Digital Transformation History and Future Prospects	1.5
		2022.04.06		Digital Transformation Lecture: Blue Lake Strategy	2
		2022.04.20		Domestic and International Trends and Domestic Solutions of Net Zero Carbon Emission	1

Title	Name	Date	Sponsoring Organization	Course	Hours
		2022.09.14		Digital Transformation Lecture: Digital Transformation and Resilient Supply Chain Management in the Post-pandemic Era	1.5
Vice President & Corporate Governance Officer	Jun-Yi Yu	2022.04.12	Corporate Operating and Sustainable Development Association	Disclosure of Material Information and Case Analysis of Directors' Liabilities	3
		2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
		2022.03.23	Innolux Corporation	Digital Transformation Lecture Digital Transformation History and Future Prospects	1.5
		2022.04.06		Digital Transformation Lecture: Blue Lake Strategy	2
		2022.04.20		Domestic and International Trends and Domestic Solutions of Net Zero Carbon Emission	1
		2022.04.25		Summary of Trade Secrets Personal Information Law and Anti-Corruption Policy and Insider Trading Prevention	0.5
		2022.08.02		Antitrust law compliance	0.5
2022.08.03	Corporate Resilient Supply Chain and Operational Risk Management - Be dedicated to corporate risk and crisis management with a comprehensive approach and global perspective	2			
2022.09.14	Digital Transformation Lecture: Digital Transformation and Resilient Supply Chain Management in the Post-pandemic Era	1.5			
Vice President	Hung-Wen Yang	2022.07.26		Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3

Title	Name	Date	Sponsoring Organization	Course	Hours
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
		2022.04.20	Innolux Corporation	Domestic and International Trends and Domestic Solutions of Net Zero Carbon Emission	1
		2022.04.25		Summary of Trade Secrets Personal Information Law and Anti-Corruption Policy and Insider Trading Prevention	0.5
		2022.05.02		Information security concept	1
		2022.08.02		Antitrust law compliance	0.5
Vice President	Chih-Ming Chen	2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
		2022.03.23	Innolux Corporation	Digital Transformation Lecture Digital Transformation History and Future Prospects	1.5
		2022.04.06		Digital Transformation Lecture: Blue Lake Strategy	2
		2022.04.20		Domestic and International Trends and Domestic Solutions of Net Zero Carbon Emission	1
		2022.04.25		Summary of Trade Secrets Personal Information Law and Anti-Corruption Policy and Insider Trading Prevention	0.5
		2022.08.02		Antitrust law compliance	0.5
2022.09.14	Digital Transformation Lecture: Digital Transformation and Resilient Supply Chain Management in the Post-pandemic Era	1.5			
Vice President	Yu-Shui Kuo	2022.07.26	Corporate Operating and Sustainable Development Association	A Discussion on the Business and M&A Strategies of Taiwanese Companies From the Perspective of Global Political and Economic Situations	3
		2022.07.28	Corporate Operating and Sustainable Development Association	Case analysis of legal norms and practical cases of insider trading	3
		2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3

Title	Name	Date	Sponsoring Organization	Course	Hours
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
Financial Officer	Jhih-Siou Liu	2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
		2022.03.23	Innolux Corporation	Digital Transformation Lecture Digital Transformation History and Future Prospects	1.5
		2022.04.25		Summary of Trade Secrets Personal Information Law and Anti-Corruption Policy and Insider Trading Prevention	0.5
		2022.05.02		Information security concept	1
		2022.08.02		Antitrust law compliance	0.5
Accounting Officer	Kun Ma	2022.10.25	Corporate Operating and Sustainable Development Association	Digital Transformation, looking Ahead New Future - A New Thinking on Risk Management	3
		2022.10.27	Corporate Operating and Sustainable Development Association	A Discussion on the Global Tax Reform and Corporate Tax Governance From the Perspective of ESG Trends and the Pandemic Environment	3
		2022.04.25	Innolux Corporation	Summary of Trade Secrets Personal Information Law and Anti-Corruption Policy and Insider Trading Prevention	0.5
		2022.05.02		Information security concept	1
		2022.08.02		Antitrust law compliance	0.5
		2022.09.14		Digital Transformation Lecture: Digital Transformation and Resilient Supply Chain Management in the Post-pandemic Era	1.5

6. Certification Details of Employees, whose Jobs are Related to the Release of the Company’s Financial Information

Certification	Number of Employees	
	Finance& Accounting	Internal Audit
Certified Public Accountant (CPA)	1	—
United States Certified Public Accountant (US CPA)	—	—
Certified Internal Auditor (CIA)	1	1
Chartered Financial Analyst (CFA)	1	—
Certified Management Accountant (CMA)	4	—
Financial Risk Manager (FRM)	1	—
Senior Securities Specialist	9	—
Securities Specialist	7	—
Internal controller test of SFI	2	—
Basic Competency Test of Corporate Governance of SFI	1	—

7. Succession planning and operation of Board members and important management members

The Company implements the diversification policy of Board members in accordance with the corporate governance code of practice. There are currently 9 Directors (including 5 Independent Directors), all of whom have industry knowledge and international market views, and are good at leadership, operational judgment, operation management, crisis management and other professional capabilities. Two of them concurrently serve as senior management of the Company. In the future, the composition structure of the Board of Directors of the Company and the experience background of members will continue the current structure. The annual “Board Performance Evaluation Results” will be used as a reference for the nomination of Directors for renewal.

Regarding the succession planning of the Board of Directors, the Company cultivates high-level managers to enter the Board to familiarize them with the operations of the Board and the business of the Company’s units, and deepen their industry experience through work rotation. At present, the Company has many high-level management professionals, so the Company has ample talent pool to be appointed as future Directors. In addition to considering diversity, it will focus on gender equality and possess the knowledge, skills and literacy necessary for performing duties.

The Company adheres to embracing change and leading the market demand, with the three main directions of “cultivating innovation and arranging succession”, “deploying the leadership team” and “deepening the depth of positions”. In addition to excellent work ability, the successors should also have the values consistent with those of the Company.

Based on the talents’ future development and potential ability, the succession cultivation plan is divided into the three stages of experience cultivation, agency and observation, and formal succession. During the period, courses and action learning, project assignment and management authorization, and assignment and rotation are provided, and the feasibility of formal succession is assessed through performance evaluation and high-level personnel review. In addition to internal learning, senior executives and potential talents are also encouraged to study in top universities to deepen the knowledge and ability of business management.

3.4.10 Internal Control System

1. Statement of internal control system

Innolux Corporation
Statement of Internal Controls

February 14, 2023

According to the examination on internal control systems done by the Company itself in 2022, we hereby state as follows:

- I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities of the Company's board of directors and managers. These policies were implemented throughout the Company. The purpose is to provide a reasonable assurance on the achievement of the goals, including the effectiveness and efficiency of operations (including profitability, performance and security of assets, etc.) and the report with effectiveness, timeliness, transparency, and compliance with the relevant requirements and regulations and laws.
- II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. Pursuant to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Governing Regulations"), the Company should study and judge whether the Company's internal control system is effective in design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each factor also includes several items. Please refer to "The Governing Principles" for details.
- IV. The Company has adopted the aforementioned judgment items for the internal control system to evaluate the effectiveness of the Company's internal control system in both design and implementation.
- V. The evaluation results indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2022 had effectively assured that the following objectives had been reasonably achieved during the assessing period: The degree of effectiveness and efficiency of business operation; The reliability, timeliness, transparency and compliance with relevant standards of the financial and related reports; The effective design and execution of internal control system related to compliance of the relevant laws/regulations.
- VI. This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171, and Article 174 set forth in the Taiwan's Securities and Exchange Act.
- VII. The present Declaration of Internal Control Policies was granted a pass in the board of directors meeting convened on February 14, 2023. That board of directors meeting was attended by 9 directors among whom 0 director objected. All present directors unanimously responded with consent to the contents of the Declaration. This is the another point duly clarified herewith.

Innolux Corporation
Chairman: Jin-Yang Hung
President: Chu-Hsiang Yang

2. Hire an accountant to audit the Company's internal control system and disclose the audit report made by accountants: None.

3.4.11 If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations in the past year and up to the date of report, and the results of the penalty may have a material effect on shareholders equity or stock price, specify the contents of the penalty, major deficiencies and improvement: None.

3.4.12 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Important resolutions and implementation made by the 2022 Shareholders' Meeting as of the printed date of annual report

(1) Recognition of 2021 Business Report and Financial Statements

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: The relevant forms have been submitted to the competent authority for reference and announcement on MOPS in accordance with the Company Act and other relevant laws and regulations.

(2) Recognition of 2021 Earnings Distribution Table

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: The Ex-dividend record date was set on July 17, 2022, and payment date of cash dividend distribution was on August 10, 2022. The distribution of cash is NT\$ 1.05 per share.

(3) Amendment to the Articles of Incorporation

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: It has been registered with the competent authority in accordance with the Company Act and other relevant laws and regulations.

(4) Proposal to proceed with cash capital reduction

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: It has been approved by the letter of approval from Taiwan Stock Exchange Corporation with reference number 1111803817, dated August 10, 2022. The date of cash refund: October 14, 2022, which has been completed.

(5) Amendment to the Procedures for the Acquisition and Disposal of Assets

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: The Company uploaded to the MOPS and disclosed on the Company website on July 8, 2022, and matters were handled in accordance with the amended procedures.

(6) Amendment to the Rules of Shareholders Meeting

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: The Company uploaded to the MOPS and disclosed on the Company website on July 8, 2022, and matters were handled in accordance with the amended procedures.

(7) Proposal to overall re-election of directors

Status of execution: The election result, nine directors (including five independent directors) were elected for the 9th term of the Board.

Implementation Status: The newly elected directors were Jin-Yang Hung, Chu-Hsiang Yang, Jyh-Chau Wang, Ching-Lung Ting, Chi-Chia Hsieh (independent director), Chih-I Wu (independent director), Chih-Wei Wu (independent director), Hsin-Bei Shen (independent director), and Chi-Mo Huang (independent director). The term of office is from July 1, 2022 to June 30, 2025. The change registration was approved by Hsinchu Science Park Bureau, National Science and Technology Council on August 1, 2022.

(8) To lift non-competition restrictions on the new Directors of the Company

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: It has been resolved to approve the proposal to lift the restrictions on the non-competition of the new directors.

2. Major resolutions by the Board Meetings for 2022 as of the printed date of annual report

Date	Major Resolutions
17th meeting of the 8th term 2022.02.11	<ol style="list-style-type: none"> 1. The Company's business plan in 2022 2. Proposal of the capital expenditures budget plan for the Company in 2022 3. Proposal of 2021 Allocation on Directors and Employees Remuneration Distribution 4. 2021 parent company only financial statements and consolidated financial statements of the Company 5. The appointment, remuneration, and assessment of the independence and appropriateness of CPAs 6. Amendments to Articles of Incorporation 7. Proposal to overall re-election of directors 8. Proposal to convene 2022 Annual General Shareholders' Meeting 9. Proposal of the Company's 2021 Internal Control Statement 10. Amendments to the Company's Corporate Social Responsibility Best-Practice Principles, and Corporate Governance Principles 11. Proposal for executing loan agreements with financial institutions 12. Proposal for the remuneration of managerial officers and Directors(including Independent Directors)
18th meeting of the 8th term 2022.04.07	<ol style="list-style-type: none"> 1. Change in the Director Seats of the Company
19th meeting of the 8th term 2022.05.11	<ol style="list-style-type: none"> 1. Prepare and compile business report for 2021 2. Prepare the proposal of 2021 profit distribution plan 3. Proposal to proceed with cash capital reduction 4. Amendments to the Procedures for the Acquisition and Disposal of Assets 5. Amendment to the Rules of Shareholders' Meeting 6. List of nine nominated director candidates (including five independent directors) 7. Proposal to lift non-competition restrictions on the new Directors of the Company 8. Proposal to convene 2022 Annual General Shareholders' Meeting (adding discussion motions) 9. Consolidated financial statements of the Company for the first quarter of 2022 10. Proposal for executing loan agreements with financial institutions. 11. Proposal to proceed with the third time of share repurchase plan 12. Proposal for the remuneration of directors, and managerial officers. 13. Proposals for remunerations to employee directors and managerial officers in 2021
1st meeting of the 9th term 2022.06.24	<ol style="list-style-type: none"> 1. Proposal for Chairman election 2. Proposal for appointment of the members of Company's 5th term of Remuneration Committee
2nd meeting of the 9th term 2022.07.28	<ol style="list-style-type: none"> 1. Consolidated financial statements of the Company for the second quarter of 2022 2. Proposal for executing loan agreements with financial institutions
3rd meeting of the 9th term 2022.10.27	<ol style="list-style-type: none"> 1. Consolidated financial statements of the Company for the third quarter of 2022 2. Proposal of 2023 Audit plan 3. Amendments to some clauses of the Company's Procedures for Handling Material Inside Information , the internal control system and the implementation rules for internal auditing 4. Amendments to some clauses of the Company's Rules and Procedures for Meeting of the Board of Directors 5. Proposal for executing loan agreements with financial institutions
4th meeting of the 9th term 2023.02.14	<ol style="list-style-type: none"> 1. The Company's business plan in 2023 2. Proposal of the capital expenditures budget plan for the Company in 2023 3. 2022 parent company only financial statements and consolidated financial statements of the Company 4. The appointment, remuneration, and assessment of the independence and appropriateness of CPAs 5. Proposal for pre-approval of the provision of non-assurance services to the Company and its subsidiaries by CPA firm and its affiliates 6. Proposal to convene 2023 Annual General Shareholders' Meeting 7. Proposal of the Company's 2022 Internal Control Statement 8. Proposal for change in Financial Officer and Accounting Officer of the Company 9. Proposal for signing a Technology Transfer Agreement with Indian Company, Vedanta Group 10. Amendments to some clauses of the Company's Corporate Governance Principles, and Rules Governing Financial and Business Matters between the Company and its Related Parties

Date	Major Resolutions
	11. Proposal for executing loan agreements with financial institutions 12. Amendments to reward and remuneration system of managerial officers 13. Proposal for the remuneration of managerial officers

3.4.13 Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up until the publication date of annual report: None.

3.4.14 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of this Annual Report, of the Company's Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance Officer, and Chief R&D Officer:

Position	Name	Appointment Date	Termination Date	Reason for the change
Financial Officer	Jhih-Siou Liu	2020.08.05	2023.02.15	Position Reassignment
Accounting Officer	Kun Ma	2020.05.05	2023.02.15	Position Reassignment

3.5 Disclosure of CPA Fees

3.5.1 Fee Information

Amount Unit: NT\$ thousand

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Remarks
PwC Taiwan	Sheng-Chung Hsu	2022.01.01- 2022.12.31	9,820	8,190	18,010	Transfer pricing, R & D credit, country report public expense, Robotic Process Automation (RPA) Consulting.
	Hua-Ling Liang					

1. Replaced the accounting firm and the audit fee paid to the new accounting firm was less than the payment of the previous year: None.

2. Audit fee reduced more than 10% year over year, required to disclose the reduced amount, proportion, and reason: None.

3.5.2 The professional fees for auditing services referred means the professional fees paid by the Company to a certified public accountant for auditing, review, and secondary reviews of financial reports, financial forecast reviews, and tax certification.

3.6 Replacement of CPA: None.

3.7 The Company's Chairman, President, or any Managerial Officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None.

3.8 Changes in Shareholding of Directors, Managerial Officers and Major Shareholders

3.8.1 Changes in Shareholding of Directors, Managerial Officers and Major Shareholders

Unit: Per share

Title	Name (Note 1)	2022		In 2023, up to March 31, 2023	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman & CEO	Jin-Yang Hung	44,472	—	—	—
Director	Chu-Hsiang Yang (Note 2)	(100,297)	—	—	—
Director	Jyh-Chau Wang	(15,960)	—	—	—
Director	Ching-Lung Ting	(108,496)	—	—	—
Independent Director	Chi-Chia Hsieh	—	—	—	—
Independent Director	Chih-I Wu	—	—	—	—
Independent Director	Chih-Wei Wu	—	—	—	—
Independent Director	Hsin-Bei Shen	—	—	—	—
Independent Director	Chi-Mo Huang	—	—	—	—
Vice President	Jun-Yi Yu	(22,468)	—	—	—
Vice President	Hung-Wen Yang	(68,569)	—	—	—
Vice President	Chih-Ming Chen	22,295	—	—	—
Vice President	Yu-Shui Kuo	(857)	—	—	—
Associate VP	Ko-Yi Kao	(74,052)	—	—	—
Associate VP	Tai-Chi Pan	(111,129)	—	—	—
Associate VP	Ching-Hui Lin	(33,064)	—	—	—
Associate VP	Ching-Wen Huang	(25,232)	—	—	—
Associate VP	Chih-Hsuan Wang	19,941	—	—	—
Associate VP	Chien-Hung Liao	(27,298)	—	—	—
Financial Officer	Wei-Cheng Chiu (Note 3)	—	—	—	—
Accounting Officer	Rou-Li Cheng (Note3)	—	—	—	—

Note 1: Existing managerial officers as of the printed date of the annual report.

Note 2: President & COO.

Note 3: Newly appointed on February 15, 2023; therefore, the change in shareholding for the year 2022 was not calculated.

3.8.2 Where the counterpart of the equity transfer is a related party : None.

3.8.3 Where the counterpart of the equity pledge is a related party : None.

3.9 Relationship among the Top 10 shareholders

Name	Shares held		Shareholdings of spouse and underage children		Shares held through nominees		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationships	
Hyield Venture Capital Co., Ltd	159,561,653	1.67%	—	—	—	—	Hon Hai Precision Ind. Co., Ltd.	Subsidiary of Hon Hai Precision Ind. Co., Ltd.	
Representative: De-Cai Huang	192,420	—	—	—	—	—	N.A.	N.A.	
Norges Bank-fund mgr Neuberger Berman Europe Limited	146,104,170	1.53%	—	—	—	—	N.A.	N.A.	
Hon Hai Precision Ind. Co., Ltd.	133,908,653	1.40%	—	—	—	—	Hyield Venture Capital Co., Ltd	Parent Company of Hyield Venture Capital Co., Ltd	
Representative: Young-Way Liu	—	—	—	—	—	—	N.A.	N.A.	
Taipei Fubon Bank in custody for Innolux Corporation Trust Account	126,785,513	1.33%	—	—	—	—	N.A.	N.A.	
Point72 Associates, LLC	117,559,000	1.23%	—	—	—	—	N.A.	N.A.	
Foxconn Technology Co., Ltd.	115,438,495	1.21%	—	—	—	—	Hon Hai Precision Ind. Co., Ltd.	Investee under the equity method	
Representative: Chun-Fu Lu	—	—	—	—	—	—	Hua Zhun Investments Co., Ltd.	Chairman of Hua Zhun Investments Co., Ltd.	
Hua Zhun Investments Co., Ltd.	109,538,304	1.15%	—	—	—	—	Foxconn Technology Co., Ltd.	Subsidiary of Foxconn Technology Co., Ltd.	
Representative: Chun-Fu Lu	—	—	—	—	—	—	Foxconn Technology Co., Ltd.	Chairman of Foxconn Technology Co., Ltd.	
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	83,625,536	0.88%	—	—	—	—	N.A.	N.A.	
Government of Singapore	81,661,355	0.85%	—	—	—	—	N.A.	N.A.	
iShares Core MSCI Emerging Markets ETF	78,553,973	0.82%	—	—	—	—	N.A.	N.A.	

3.10 The total number of shares and total equity stake held in any single enterprise by the Company, its Directors, Managerial Officers, and any companies controlled either directly or indirectly by the Company

Unit: Shares; December 31, 2022

Investee Enterprises	Investment by the Company		Investment by the Directors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total Investment	
	Shares	%	Shares	%	Shares	%
CarUX Holding Limited	—	—	125,231,749	100%	125,231,749	100%
CarUX Technology Pte. Ltd.	—	—	125,131,749	100%	125,131,749	100%
Double Star Inc.	—	—	10,000,000	100%	10,000,000	100%
Innocare Optoelectronics Europe B.V.	—	—	500	100%	500	100%
InnoCare Optoelectronics Japan Co., Ltd.	—	—	30,010	100%	30,010	100%
InnoCare Optoelectronics USA, INC.	—	—	900,000	100%	900,000	100%
Innolux Europe B.V.	—	—	375,810	100%	375,810	100%
Innolux Holding Limited	180,568,185	100%	—	—	180,568,185	100%
Innolux Hong Kong Holding Limited	1,158,844,000	100%	—	—	1,158,844,000	100%
Innolux Hong Kong Limited	—	—	35,000,000	100%	35,000,000	100%
Innolux Japan Co., Ltd.	98	54.44%	82	45.56%	180	100%
Innolux Optoelectronics Hong Kong Holding Ltd.	—	—	162,897,802	100%	162,897,802	100%
Innolux Optoelectronics India Private Limited	—	—	144,095,500	100%	144,095,500	100%
Innolux Singapore Holding Pte. Ltd.	25,400,000	100%	—	—	25,400,000	100%
Innolux Technology Germany GmbH	—	—	100,000	100%	100,000	100%
Innolux USA Inc.	—	—	12,842	100%	12,842	100%
Keyway Investment Management Limited	1,656,410	100%	—	—	1,656,410	100%
Landmark International Ltd.	709,450,000	100%	—	—	709,450,000	100%
Nets Trading Ltd.	—	—	900,001	100%	900,001	100%
Rockets Holding Ltd.	—	—	160,504,550	100%	160,504,550	100%
Stanford Developments Ltd.	—	—	164,000,000	100%	164,000,000	100%
Suns Holding Ltd.	—	—	18,177,052	100%	18,177,052	100%
Toppoly Optoelectronics (B.V.I.) Ltd.	146,847,000	100%	—	—	146,847,000	100%
Toppoly Optoelectronics (Cayman) Ltd.	—	—	146,817,000	100%	146,817,000	100%
Warriors Technology Investments Ltd.	—	—	18,177,052	100%	18,177,052	100%
Shanghai Innolux Optoelectronics Ltd.	—	—	—	100%	—	100%
Yuan Chi investment Co., Ltd	—	100%	—	—	—	100%
Foshan Innolux Optoelectronics Ltd.	—	—	—	100%	—	100%
Foshan Innolux Logistics Ltd.	—	—	—	100%	—	100%
Nanjing Innolux Technology Ltd.	—	—	—	100%	—	100%
Nanjing Innolux Optoelectronics Ltd.	—	—	—	100%	—	100%
GIO (Maanshan) Optoelectronics Co., Ltd	—	—	—	100%	—	100%
GIO Optoelectronics Corp.	41,288,528	76.43%	443,872	0.82%	41,732,400	77.25%
InnoJoy Investment Corp.	167,405,392	100%	—	—	167,405,392	100%
Innocom Technology (Shenzhen) Ltd.	—	—	—	100%	—	100%
Inno Capital Corporation	—	—	1,500,000	100%	1,500,000	100%
CarUX Technology Inc.	—	—	140,000,000	100%	140,000,000	100%
Ningbo Innolux Electronics Ltd.	—	—	—	100%	—	100%
Ningbo Innolux Optoelectronics Co., LTD	—	—	—	100%	—	100%
Ningbo Innolux Display LTD	—	—	—	100%	—	100%
Ningbo CarUX Technology Ltd.	—	—	—	100%	—	100%
InnoCare Optoelectronics Corporation	20,500,000	57.29%	593,012	1.66%	21,093,012	58.95%
INStek Corporation	2,647,507	40.01%	—	—	2,647,507	40.01%

Note: Long-term equity investment of the Company calculated according to the equity method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Capital and Shares

April 2, 2023; Unit: Shares

Share Type	Authorized Capital			Remarks
	Outstanding Shares	Un-issued Shares	Total	
Common Shares	9,556,456,146	2,443,543,854	12,000,000,000	

4.1.2 Source of Capital

Unit: thousand shares; NT\$ thousand

Year/ Month	Issue price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by assets other than cash	Effective Date (Approval No.)
2003.01	-	120,000	1,200,000	35,000	350,000	Created at inception	None	2003.01.14 Yuan- Shang-Zih No. 0920001669
2003.05	10	120,000	1,200,000	100,000	1,000,000	65 million shares from cash capital increase	None	2003.05.30 Yuan- Shang-Zih No. 0920013164
2003.10	10	1,000,000	10,000,000	300,000	3,000,000	200 million shares from cash capital increase	None	2003.11.07 Yuan- Shang-Zih No. 0920030835
2004.04	10	1,000,000	10,000,000	900,000	9,000,000	600 million shares from cash capital increase	None	2004.05.24 Yuan- Shang-Zih No. 0930013914
2004.09	12	2,500,000	25,000,000	1,500,000	15,000,000	600 million shares from cash capital increase	None	2004.10.26 Yuan- Shang-Zih No. 9300030355
2005.06	14	2,500,000	25,000,000	2,100,000	21,000,000	600 million shares from cash capital increase	None	2005.07.22 Yuan- Shang-Zih No. 0940019992
2006.01	-	2,500,000	25,000,000	2,106,624	21,066,240	6,624 thousand new shares issued upon the exercise of employee stock options	None	2006.02.13 Yuan- Shang-Zih No. 0950002674
2006.04	-	2,500,000	25,000,000	2,111,856	21,118,560	5,232 thousand new shares issued upon the exercise of employee stock options	None	2006.05.09 Yuan- Shang-Zih No. 0950011150
2006.09	-	2,500,000	25,000,000	2,112,129	21,121,290	273 thousand new shares issued upon the exercise of employee stock options	None	2006.10.16 Yuan- Shang-Zih No. 0950026853
2006.10	41	3,300,000	33,000,000	2,312,129	23,121,290	200 million shares from cash capital increase	None	2006.12.04 Yuan- Shang-Zih No. 0950032417
2007.01	-	3,300,000	33,000,000	2,326,056	23,260,560	13,927 thousand new shares issued upon the exercise of employee stock options	None	2007.02.09 Yuan- Shang-Zih No. 0960003715
2007.03	-	3,300,000	33,000,000	2,331,706	23,317,062	5,650 thousand shares from capital increase in connection with merger	None	2007.05.30 Yuan- Shang-Zih No. 0960014540
2007.04	-	3,300,000	33,000,000	2,331,761	23,317,612	55 thousand new shares issued upon the exercise of employee stock options	None	2007.05.31 Yuan- Shang-Zih No. 0960014605
2007.08	-	3,300,000	33,000,000	2,340,765	23,407,652	9,004 thousand new shares issued upon the exercise of employee stock options	None	2007.08.30 Yuan- Shang-Zih No. 0960023196
2007.09	-	3,300,000	33,000,000	2,442,155	24,421,550	101,390 thousand shares from capital increase through capitalization of retained earnings	None	2007.09.19 Yuan- Shang-Zih No. 0960025459
2007.10	-	3,300,000	33,000,000	2,442,372	24,423,720	217 thousand new shares issued upon the exercise of employee stock options	None	2007.10.29 Yuan- Shang-Zih No. 0960029080
2007.11	146	3,300,000	33,000,000	2,742,372	27,423,720	300 million shares from cash capital increase to participate in the issuance of overseas depositary receipts	None	2007.12.10 Yuan- Shang-Zih No. 0960033616
2008.02	-	3,300,000	33,000,000	2,751,026	27,510,260	8,654 thousand new shares issued upon the exercise of employee stock options	None	2007.02.12 Yuan- Shang-Zih No. 0970003364
2008.05	-	3,300,000	33,000,000	2,757,583	27,575,830	6,557 thousand new shares issued upon the exercise of employee stock options	None	2008.05.14 Yuan- Shang-Zih No. 0970012623
2008.08	-	3,300,000	33,000,000	2,770,270	27,702,700	12,687 thousand new shares issued upon the exercise of employee stock options	None	2008.08.21 Yuan- Shang-Zih No. 0970023231
2008.09	-	4,500,000	45,000,000	3,112,297	31,122,970	342,027 million shares from capital increase through capitalization of retained earnings	None	2008.09.09 Yuan- Shang-Zih No. 0970025445
2008.11	-	4,500,000	45,000,000	3,113,147	31,131,470	850 thousand new shares issued upon the exercise of employee stock options	None	2008.11.18 Yuan- Shang-Zih No. 0970032346
2009.03	-	4,500,000	45,000,000	3,123,695	32,236,950	10,548 thousand new shares issued upon the exercise of employee stock options	None	2009.03.02 Yuan- Shang-Zih No. 0980005613
2009.05	-	4,500,000	45,000,000	3,128,546	31,285,460	4,851 thousand new shares issued upon the exercise of employee stock options	None	2009.05.18 Yuan- Shang-Zih No. 0980013470
2009.07	-	4,500,000	45,000,000	3,138,537	31,385,370	9,991 thousand new shares issued upon the exercise of employee stock options	None	2009.07.23 Yuan- Shang-Zih No. 0980020313
2009.09	-	4,500,000	45,000,000	3,243,122	32,431,222	104,585 million shares from capital increase through capitalization of retained earnings	None	2009.09.07 Yuan- Shang-Zih No. 0980024824
2009.11	-	4,500,000	45,000,000	3,244,596	32,445,960	1,474 thousand new shares issued upon the exercise of employee stock options	None	2009.11.19 Yuan- Shang-Zih No. 0980032198
2010.02	-	4,500,000	45,000,000	3,254,841	32,548,410	10,245 thousand new shares issued upon the exercise of employee stock options	None	2010.02.12 Yuan- Shang-Zih No. 0990004357

Year/ Month	Issue price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by assets other than cash	Effective Date (Approval No.)
2010.03	-	10,500,000	105,000,000	8,032,930	80,329,300	4,778,089 thousand common stocks from capital increase in connection with merger; private placement of 731.707 million preferred shares	None	2010.03.30 Yuan- Shang-Zih No. 0990008717
2010.04	-	10,500,000	105,000,000	8,040,837	80,408,370	7,907 thousand new shares issued upon the exercise of employee stock options	None	2010.04.29 Yuan- Shang-Zih No. 0990011506
2010.08	-	10,500,000	105,000,000	8,043,497	80,434,970	2,660 thousand new shares issued upon the exercise of employee stock options	None	2010.08.26 Yuan- Shang-Zih No. 0990025097
2010.11	-	10,500,000	105,000,000	7,311,789	73,117,890	Reduced capital by 731.707 million shares through private placement of preferred shares	None	2010.11.11 Yuan- Shang-Zih No. 0990033742
2011.01	-	10,500,000	105,000,000	7,311,809	73,118,090	20 thousand new shares issued upon the exercise of employee stock options	None	2011.01.03 Yuan- Shang-Zih No. 1000000178
2011.03	-	10,500,000	105,000,000	7,312,674	73,126,740	865 thousand new shares issued upon the exercise of employee stock options	None	2011.03.25 Yuan- Shang-Zih No. 1000007874
2011.05	-	10,500,000	105,000,000	7,312,804	73,128,040	130 thousand new shares issued upon the exercise of employee stock options	None	2011.05.04 Yuan- Shang-Zih No. 1000012352
2011.07	-	10,500,000	105,000,000	7,312,904	73,129,040	100 thousand new shares issued upon the exercise of employee stock options	None	2011.07.26 Yuan- Shang-Zih No. 1000021596
2011.11	-	10,500,000	105,000,000	7,312,970	73,129,708	66 thousand new shares issued upon the exercise of employee stock options	None	2011.11.28 Yuan- Shang-Zih No. 1000035175
2012.10	9	10,500,000	105,000,000	7,912,970	79,129,700	600 million shares from cash capital increase	None	2012.10.15 Yuan- Shang-Zih No. 1010031831
2013.02	12.98	10,500,000	105,000,000	9,037,970	90,379,700	1.125 billion shares from cash capital increase to participate in the issuance of overseas depository receipts	None	2013.02.18 Yuan-Shang-Zih No. 1020005087
2013.02	5/-	10,500,000	105,000,000	9,100,272	91,002,720	Issuance of 31,151 thousand shares new shares with restricted employee rights at positive consideration Issuance of 31,151 thousand shares new shares with restricted employee rights at nil consideration	None	2013.02.21 Yuan-Shang-Zih No. 1020005099
2013.04	5/-	10,500,000	105,000,000	9,101,960	91,019,600	Issuance of 844 thousand shares new shares with restricted employee rights at positive consideration Issuance of 844 thousand shares new shares with restricted employee rights at nil consideration	None	2013.04.16 Yuan-Shang-Zih No. 1020010954
2013.08	-	10,500,000	105,000,000	9,101,670	91,016,700	Capital reduced by 290 thousand new shares with restricted employee rights	None	2013.08.23 Yuan-Shang-Zih No. 1020025484
2013.11	-	10,500,000	105,000,000	9,100,892	91,008,920	Capital reduced by 778 thousand new shares with restricted employee rights	None	2013.11.27 Yuan-Shang-Zih No. 1020036156
2013.12	5/-	10,500,000	105,000,000	9,109,428	91,094,280	Issuance of 4,268 thousand shares new shares with restricted employee rights at positive consideration Issuance of 4,268 thousand shares new shares with restricted employee rights at nil consideration	None	2013.12.27 Yuan-Shang-Zih No. 1020040096
2014.04	-	10,500,000	105,000,000	9,106,457	91,064,570	Capital reduced by 2,970 thousand new shares with restricted employee rights	None	2014.04.10 Zhu- Shang-Zih No.1030009955
2014.09	12.5	10,500,000	105,000,000	9,956,457	99,564,570	850 million shares from cash capital increase	None	2014.09.05 Zhu- Shang-Zih No.1030026932
2014.09	-	10,500,000	105,000,000	9,955,407	99,554,070	Capital reduced by 1,049 thousand new shares with restricted employee rights	None	2014.09.05 Zhu- Shang-Zih No.1030026932
2014.11	-	10,500,000	105,000,000	9,954,536	99,545,360	Capital reduced by 871 thousand new shares with restricted employee rights	None	2014.11.19 Zhu- Shang-Zih No.1030033761
2015.03	-	10,500,000	105,000,000	9,954,224	99,542,240	Capital reduced by 312 thousand new shares with restricted employee rights	None	2015.03.17 Zhu- Shang-Zih No.1040007082
2015.05	-	10,500,000	105,000,000	9,953,797	99,537,970	Capital reduced by 417 thousand new shares with restricted employee rights	None	2015.05.20 Zhu- Shang-Zih No.1040013755
2015.08	-	10,500,000	105,000,000	9,953,583	99,535,830	Capital reduced by 214 thousand new shares with restricted employee rights	None	2015.08.19 Zhu- Shang-Zih No.1040023797
2015.11	-	10,500,000	105,000,000	9,953,237	99,532,370	Capital reduced by 345 thousand new shares with restricted employee rights	None	2015.11.18 Zhu- Shang-Zih No.1040033254
2016.02	-	10,500,000	105,000,000	9,952,682	99,526,820	Capital reduced by 556 thousand new shares with restricted employee rights	None	2016.02.26 Zhu- Shang-Zih No.1050004985
2016.05	-	10,500,000	105,000,000	9,952,351	99,523,510	Capital reduced by 330 thousand new shares with restricted employee rights	None	2016.05.23 Zhu- Shang-Zih No.1050013777
2016.08	-	10,500,000	105,000,000	9,952,210	99,522,100	Capital reduced by 141 thousand new shares with restricted employee rights	None	2016.08.16 Zhu- Shang-Zih No.1050022641
2016.11	-	10,500,000	105,000,000	9,952,149	99,521,490	Capital reduced by 62 thousand new shares with restricted employee rights	None	2016.11.15 Zhu- Shang-Zih No.1050031553
2017.03	-	10,500,000	105,000,000	9,952,078	99,520,780	Capital reduced by 70 thousand new shares with restricted employee rights	None	2017.03.03 Zhu- Shang-Zih No.1060005404
2017.05	-	10,500,000	105,000,000	9,952,072	99,520,720	Capital reduced by 6 thousand new shares with restricted employee rights	None	2017.05.26 Zhu- Shang-Zih No.1060014186
2019.11	-	10,500,000	105,000,000	9,711,072	97,110,720	Treasury shares canceled 241 million shares	None	2019.11.19 Zhu- Shang-Zih No.1080033144
2021.03	-	12,000,000	120,000,000	9,940,433	99,404,330	Exchanges to new shares (229,361 thousand shares) from overseas convertible corporate Bond	None	2021.03.08 Zhu- Shang-Zih No.1100005722

Year/ Month	Issue price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by assets other than cash	Effective Date (Approval No.)
2021.05	-	12,000,000	120,000,000	10,248,320	102,483,196	Exchanges to new shares (307,886 thousand shares) from overseas convertible corporate Bond	None	2021.05.27 Zhu- Shang-Zih No.1100015162
2021.08	-	12,000,000	120,000,000	10,501,408	105,014,079	Exchanges to new shares (253,088 thousand shares) from overseas convertible corporate Bond	None	2021.08.19 Zhu- Shang-Zih No. 1100023382
2021.11	-	12,000,000	120,000,000	10,559,620	105,596,200	Exchanges to new shares (58,212 thousand shares) from overseas convertible corporate Bond	None	2021.11.16 Zhu- Shang-Zih No.1100033414
2022.08	-	12,000,000	120,000,000	9,556,456	95,564,560	1,003,164 thousand shares from cash capital reduction	None	2022.08.23 Zhu- Shang-Zih No. 1110027160

4.1.3 Information for Shelf Registration: None.

4.1.4 Shareholder structure

April 2, 2023

Shareholder Structure Number	Government Institutions	Financial Institutions	Other Corporation	Individual	Foreign Institutions & Foreigners	Total
Number of Shareholders	8	51	649	581,657	1,269	583,634
Number of Share Held	115,797,712	143,364,439	1,044,025,169	5,749,063,524	2,504,205,302	9,556,456,146
Shareholding (%)	1.21%	1.50%	10.93%	60.16%	26.20%	100.00%

4.1.5 Distribution of Equity Ownership

1. Common Shares

NT\$ 10 per share; April 2, 2023

Class of Shareholding (Shares)	Number of Shareholders	Number of Share Held	Percentage
1 ~ 999	157,867	92,492,218	0.97%
1,000 ~ 5,000	243,189	648,394,525	6.79%
5,001 ~ 10,000	86,642	660,946,753	6.92%
10,001 ~ 15,000	27,154	338,522,308	3.54%
15,001 ~ 20,000	21,203	378,512,107	3.96%
20,001 ~ 30,000	17,094	426,904,877	4.47%
30,001 ~ 40,000	8,145	284,101,323	2.97%
40,001 ~ 50,000	5,857	264,288,629	2.77%
50,001 ~ 100,000	9,503	672,747,086	7.04%
100,001 ~ 200,000	3,947	558,194,488	5.84%
200,001 ~ 400,000	1,614	445,881,375	4.67%
400,001 ~ 600,000	512	248,575,743	2.60%
600,001 ~ 800,000	221	153,204,641	1.60%
800,001 ~ 1,000,000	118	106,692,602	1.11%
1,000,001 or over	568	4,276,997,471	44.75%
Total	583,634	9,556,456,146	100.00%

2. Preferred Shares: The Company does not issue preferred shares.

4.1.6 List of Major Shareholders (Top 10 shareholders who own the most shares)

April 2, 2023; Unit: Shares

Name of Shareholders	Number of Share Held	Percentage
Hyield Venture Capital Co., Ltd	159,561,653	1.67%
Norges Bank-fund mgr Neuberger Berman Europe Limited	146,104,170	1.53%
Hon Hai Precision Ind. Co., Ltd.	133,908,653	1.40%
Taipei Fubon Bank in custody for Innolux Corporation Trust Account	126,785,513	1.33%
Point72 Associates, LLC	117,559,000	1.23%
Foxconn Technology Co., Ltd.	115,438,495	1.21%
Hua Zhun Investments Co., Ltd.	109,538,304	1.15%
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	83,625,536	0.88%
Government of Singapore	81,661,355	0.85%
iShares Core MSCI Emerging Markets ETF	78,553,973	0.82%

4.1.7 Market Price, Net Worth, Earnings, and Dividends in the Past Two Years

Unit: NT\$ thousand share

Item	Year				
	2021	2022	As of March 31, 2023		
Market Price Per Share	Highest Market Price	32.55	19.8	15.7	
	Lowest Market Price	12.45	10.15	11.00	
	Average Market Price	19.01	13.81	13.37	
Net Worth Per Share	Before Distribution	28.82	26.55	25.86	
	After Distribution	27.77	(Note)	N.A.	
Earnings Per Share (EPS)	Weighted Average Shares (thousand shares)	10,395,532	10,152,560	9,511,206	
	Earnings Per Share(in dollars)	5.53	(2.76)	(0.82)	
Dividends Per Share	Cash Dividends	1.05	(Note)	N.A.	
	Stock Dividends	Dividends from Retained Earnings	—	—	—
		Dividends from Capital Reserve	—	—	—
	Accumulated Unpaid Dividends	—	—	—	
Return on Investment (ROI) Analysis	Price-to-Earnings Ratio	3.44	N.A.	N.A.	
	Price-Dividend Ratio	18.10	N.A.	N.A.	
	Cash Dividend Yield Rate	5.52%	N.A.	N.A.	

Note: Proposal of 2022 profit and loss appropriation has already got approval from the Board of Directors, subject to the approval of the Shareholders' Meeting.

4.1.8 Dividend Policy and Implementation Status

1. Dividend Policy

The annual net profits of final accounts of the Company shall make up for loss first, shall secondly appropriate 10% of profit as legal reserve (however, if legal reserve reaches the total capital amount shall not apply), to make an appropriation of another sum as special reserve or make an reversal of special reserve in accordance with laws and regulation, to distribute dividend for special/preferred shares, and to add into the profit not yet distributed before, the allocation proposal shall be prepared by the board of directors and be submitted to and resolved by the shareholders' meeting.

The Company shall set aside to special reserve, from prior period's undistributed earnings, an amount equal to net deductions from other equity". If the amount is not sufficient, the Company should further set aside from the current period's net profits plus other items to be included in the current period's undistributed earnings.

Depending on the Company's long-term financial planning, investment environment, industry competition, capital expenditure budget, funding requirements and protection of shareholders' equity, dividends should be paid at a rate of no less than 20% of the current year's distributable earnings; however, if the distributable earnings are less than 2% of the paid-in capital, the Company may resolve to transfer the entire amount to retained earnings without distribution. For earnings distribution, cash dividends are preferred but it may also be in the form of stock dividends, with no less than 50% of the earnings to be distributed with cash dividends.

The aforementioned dividend distribution percentage may be adjusted based on financial, business and operating factors.

2. Proposed Distribution of Dividend

The beginning balance of 2022 Unappropriated Retained Earnings was NT\$ 70,564,353,084, after deduction in Net Loss after Tax, NT\$ 27,990,255,628, and adding Re-measurements of defined benefit plans, NT\$ 176,320,084, and set aside Special Reserve, NT\$ 2,361,016,280, the 2022 Unappropriated Retained Earnings is NT\$ 40,389,401,260. Not to distribute cash dividends for FY 2022.

3. Significant changes of Dividend policy: None.

4.1.9 Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the business performance and earnings per share

Not applicable. There is no stock dividend distribution proposed in this shareholders' meeting.

4.1.10 Remuneration of Employees and Directors

1. The percentages or ranges with respect to Remuneration of Employees and Directors in the Articles of Incorporation

Article 21 of the Articles of Incorporation stipulates that: The distribution of employees' compensation shall not be lower than 5% of and the directors' compensation shall not be higher than 0.1% of the current year pre-tax income before deducting the distributable employees' and directors' compensation of the Company. However, the Company's accumulated losses shall have been covered.

The Company shall, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash and have the profit distributable as director's compensation in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The target to be distributed employees' compensation in the form of shares or cash may include employees of subsidiary companies who conform to certain criteria. Relevant regulations shall be authorized to be prescribed by the board of directors.

2. The basis for estimating the amount of employee and director remuneration, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The Company has an amount equivalent to a certain percentage of the current net earnings (net income before tax before deducting the remuneration to employees and the remuneration to Directors) minus the accumulated losses estimated and appropriated as remuneration to employees and remuneration to Directors, which will be reported as operating cost or operating expense. The remuneration to employees paid with stock are with the number of shares calculated in accordance with the closing price of common stock in the day prior to the resolution reached by the Board of Directors, and the Company will no longer take account of ex-right and ex-dividend. Due to the loss before tax, the remunerations to employees and directors were not estimated in 2022. If there is any change in the estimated stock share to be distributed after the publication of the financial report in the following year, it is to be treated as changes in accounting estimates and with the effect of such change recognized in the profit and loss of the following year.

3. Information on any approval by the Board of Directors of Remuneration Distribution

- (1) The amount of any employee remuneration distributed in cash or shares and remuneration for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

The Company did not distribute remuneration to employees and directors due to losses before tax in 2022.

If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: None.

- (2) The amount of any employee remuneration distributed in shares, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration:

The Company has not had stock shares distributed as remuneration to employees in the current year; therefore, it is not applicable.

4. The actual distribution of employee and director remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director remuneration, additionally the discrepancy, cause, and how it is treated.

- (1) Actual distribution amount:

Unit: NTS

Remuneration of Employees			Remuneration of Directors
Distributed in Shares: Monetary Amount	Distributed in Shares: Number of Shares	Distributed in Cash	
—	—	4,246,994,277	65,338,373

- (2) If there is any discrepancy between that actual and the recognized amount; the discrepancy, its cause, and the status of treatment shall be disclosed : There is no discrepancy between the actual distribution amount and the recognized amount.

4.1.11 Status of repurchasing of shares of the Company:

March 31, 2023

Repurchase no.	Third
Resolution date of the Board Meeting	2022.05.11
Purpose of repurchase	Transfer shares to employees
Repurchase period	2022.05.12-2022.07.11
Repurchase price range	NT\$ 9.66~NT\$ 22.98
Types and numbers of shares bought back	50,000,000 shares (Note 2)
Amount of shares bought back (NT\$)	NT\$650,415,681
Ratio of the number of shares already repurchased to the number of shares intended to be repurchased (%)	100%
The number of repurchased shares that have been cancelled or transferred	—
Accumulated number of the Company's shares held by the Company	50,000,000 shares (Note 2)
Ratio of the accumulated number of the Company's shares held by the Company to the total number of issued shares (%)	0.52% (Note 2)

Note 1: The total number of issued shares is the total number of issued shares registered with the Ministry of Economic Affairs as of the printed date of the annual report.

Note 2: The number of shares conversion for cash capital reduction in 2022 was 45,250,000 shares, accounting for 0.47% of the total number of issued shares.

4.2 Bonds

4.2.1 Information regarding corporate bonds: None.

4.2.2 Information regarding convertible corporate bonds: None.

4.2.3 Information regarding exchangeable corporate bonds: None.

4.2.4 Information regarding issuance of corporate bonds under shelf registration: None.

4.2.5 Information regarding corporate bond with warrants: None.

4.3 Preferred Shares

4.3.1 Information regarding Preferred Shares: None.

4.3.2 Information of preferred shares with warrants: None.

4.4 Global Depositary Receipts: None.

4.5 Employee Stock Options

4.5.1 The processing situation and impact on shareholders' right from employee stock option that have not matured yet: None.

4.5.2 Names, acquisition, and subscription of managerial officers who have obtained employee stock option as well as employees who rank among the top 10 in terms of the number of shares obtained via employee stock option, cumulative as of the printed date of the Annual Report: None.

4.6 New Restricted Employee Shares:

4.6.1 New restricted employee shares that have not fully met the conditions and the impact on shareholders' right: None.

4.6.2 Names of managers and top 10 employees holding new restricted employee shares as of the publication: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions:

4.7.1 In the most recent year as of the publication date of the Annual Report, the Company has completed merger or acquisition of other corporations to issue new shares: None.

1. A clear opinion prepared by the managing underwriter concerning any issuance of new shares in connection with any merger or acquisition or with any acquisition of shares of any other company within the past quarter: None.
2. If the progress or benefits of such implementation were not as good as expected, the annual report shall explain specifically how the situation is likely to affect shareholders' equity, and shall put forward a plan for corrective action: N.A.

4.7.2 In the most recent year as of the publication date of the Annual Report, the Board of Directors of the Company has approved merger or acquisition of other corporations to issue new shares: None.

4.8 Financing Plans and Implementation

The Company doesn't have any uncompleted issuance plan or completed plan with unrealized benefit within the latest three years.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main areas of business operations

The combined operating revenue of the Company is derived from TFT-LCD Flat Panel Displays and its main commodities include large-sized (>9 inch) and small-to-medium-sized (<9 inch) TFT-LCD related products. Large-sized products are generally applied to Liquid Crystal Displays, BillBoards, Desktop Monitors, and notebooks, and industrial control. Small-to-medium-sized products are used to manufacture tablet computers, portable audio players, GPS for automobiles, aviation, smart home and mobile phones, wearable devices and other applications, while various types of touch-control panels could be selected. Besides, for the purpose of special usage, the Company also provides products used for medical, military, educational purposes, and electronic paper application. Given that the business of the Company covers the entire world and the size mix of panels is complete, the Company is a comprehensive LCD provider.

2. Consolidated operating ratios of each business in 2022

Unit: NT\$ thousand

Products	Sales Revenue	(%) of Total Sales
TFT-LCD	223,715,758	100%
Total	223,715,758	100%

3. Main products (Services)

The Company's main products are TFT-LCD panels and touch-control modules and TV machine OEM. The products lines cover small, medium, and large sized panels mainly for a wide range of applications, such as LCD televisions, BillBoards, desktop monitors, notebooks, tablet computers, mobile phones, portable audio players, wearable devices, automotive displays, medical, X-Ray, industrial, aeronautic, and educational products. The whole machine OEM uses the LCD TV as the main axis to assist the TV brand's OEM manufacturing and realize the Company's vision from the panel to the whole machine.

4. New products (services) planned for development

New products the company plans to develop are derived from flat panel displays with high technology extensions. For large size applications, the Company will continue to improve on enlargement, high resolution, high color saturation, high contrast, narrow bezel, high refresh rate, low blue light, and power saving; for small and medium size applications, the Company will develop products with high pixel, shaped cut, and integrated touch technology panels. The Company will continue to develop consumer electronics products such as smart home applications, electronic labels, and wearable devices, as well as special applications such as large public displays, next-generation automotive displays, medical displays, X-Rays, and LCD antennas.

5.1.2 Industry Overview

1. Current status and development of the industry

Due to the excellent product characteristics, competitive costs, and constantly differentiated and refined products, TFT-LCD has become the mainstream of all kinds of displays, with the expansion of size and applications, making the demand for panels is increasing year by year. In recent years, China-based factories have been expanding their production capacity due to massive subsidies from the Chinese government. According to Omdia's data, TFT-LCD production capacity in China has surpassed that of Korea and Taiwan since 2017, and continued to climb until 2021, before slowing down. In 2021, China's production capacity accounted for 61% of the world and it is estimated that it will reach 74% in 2026. In terms of production capacity above G7, China's production capacity accounted for 71% of the world in 2021, and it is expected to reach 80% in 2024. Korean manufacturers will gradually withdraw from LCD production, and only LGD's GP2 Guangzhou factory will remain in 2023.

From the perspective of OLED production capacity, it is mainly supplied by China and South Korea. Korean manufacturers focus on the improvement of OLED technology. In 2021, South Korea's production capacity accounted for 56% of the world, and China accounted for 41%. However, as the production capacity of China actively climbed, it is estimated that China's production capacity (48%) will surpass South Korea's production capacity (47%) in 2027.



Source: Omdia Research

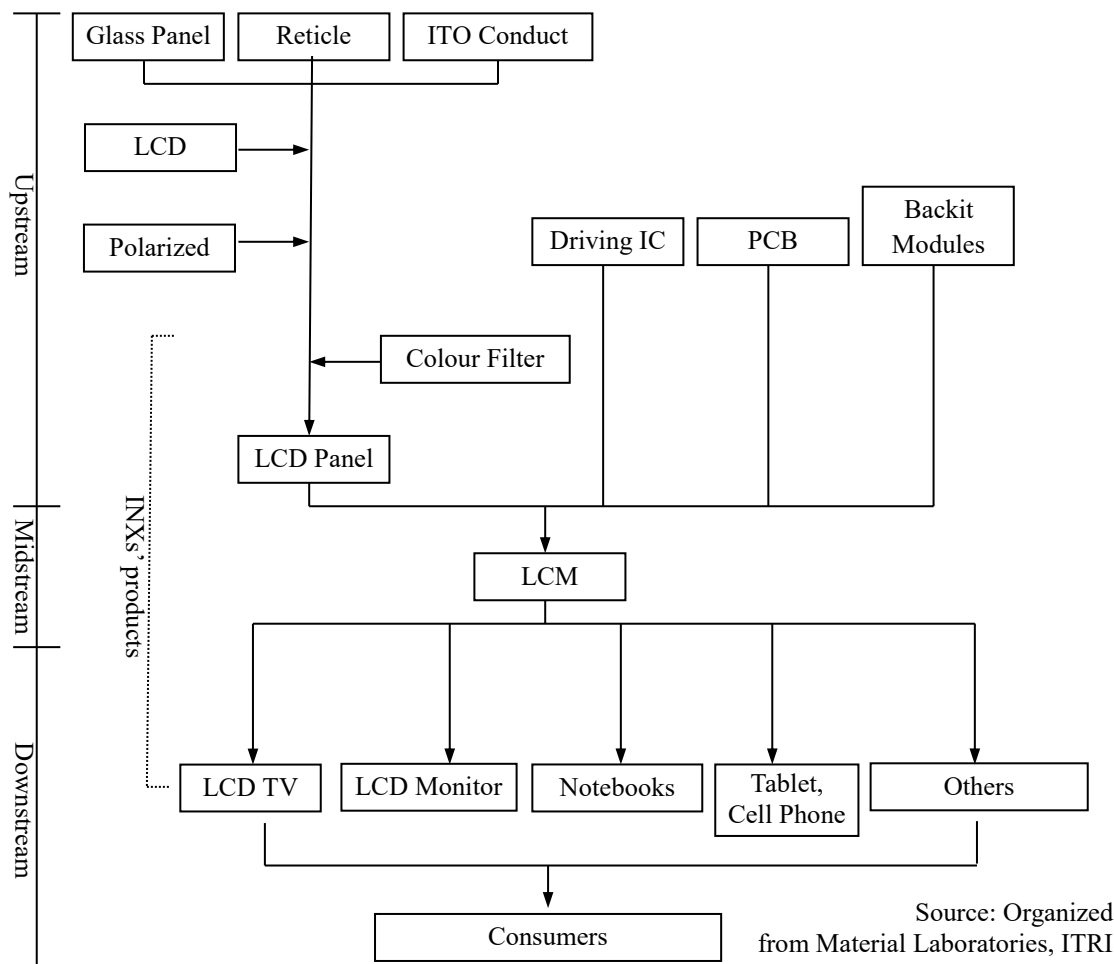
With the continuous increase in production capacity of China-based factories, the display industry then entered the price competition, making the panel prices have been falling since 2020, so that Korean factories cannot afford to bear losses. From 2019 onwards, gradually reduce production and plans to withdraw from the LCD market, so that by the end of 2019, the overall industry supply and demand was in a tight situation. At the beginning of 2020, the outbreak of COVID-19 pandemic, the overall display industry operation was once faced with a great challenge. In response to the pandemic, many countries adopted measures such as home office, remote education, and emergency city lockdown, which led to a significant growth in demand for monitors, and the undersupply also led to a strong rebound in panel prices, bringing about an unexpected increase, and Korean factories have also followed this trend and postponed their plans to close their factories. COVID-19 is driving the change of consumers' usage habits and pull up the demand of normal end demands, which will drive the display industry to a healthy cycle.

The stay-at-home-economy demand kept growing in the first half of 2021, but the supply of panels was limited due to the shortage of materials upstream, pushing the panel price to its peak in recent years. The market turned down quickly in the second half of 2021. With the rising costs of panel procurement and transportation and the weakening end-user demand, branding companies had slowed down their procurement which resulted in a rapid decline in prices due to oversupply and the shrink in profitability in the fourth quarter. However, in general, with the outstanding sales in 2021, the Company was still honored to have its highest profitability in the last decade. In early 2022, the overall economic environment was not good, such as the Russian-Ukrainian conflict, rising energy prices, and rising inflation and interest rates, resulting in a decrease in consumers' real purchasing power, which also triggered the accumulation of inventories of panel makers and brand manufacturers; in 2022, panel makers have reduced their production capacity utilization rate in response to the rapid changes in the market, while brand manufacturers are also actively de-stocking their inventories. Looking forward to 2023, panel makers will continue to control the production capacity utilization rate to suppress panel supply in order to accelerate the price rebound. In the context where the panel makers and brand manufacturers gradually restore healthy inventory level, the market sentiment will gradually change from oversupply to supply-demand balance.

After the gradual slowdown in capacity expansion, and with the trend of size enlargement and application expansion, the supply and demand of the display industry will show a balanced or even slightly tight situation in the long run. In the spirit of sustainable development, the Company continues to refine our technology and promote digital transformation in order to maintain our leading position in the industry.

2. Association of upstream, mid-stream, and downstream industries

The Company is an IDM product manufacturer which covers the upstream TFT-LCD Panel production and the downstream System Assembly, the association diagram of upstream, mid-stream and downstream industries which the Company belongs to are shown below:



3. Development trend of products

TFT-LCD has a low energy consumption rate, small size, low weight, and low radiation features. With years of active investment and research and development by manufacturers in China, Korea, and Taiwan, the development of production technology has become more mature and diversified. At present, TFT-LCD is widely used in various display devices and related derivative products; among them, flat panel TVs, desktop monitors, notebooks and tablet PCs are still the most widely used. The future trends of each of these products are described below:

(1) Mobile Computers (Notebooks & Tablets)

In recent years, the market has become saturated and stable after the rapid growth of mobile computer sales due to affordable price and improved computing performance, so brands and panel makers have started to develop differentiated products to drive consumer desire. Manufacturers continue to segment the market by considering the needs of users with different requirements for business, mobility, word processing, education market, professional (gaming, design workers) and audio-visual performance. The LCD panels on board are differentiated by size, resolution, wide viewing angle, and color saturation.

Among the mobile computers, the smaller ones are tablets. The main market is for consumers who are more concerned about personalized mobile devices, work wear, and audio-visual entertainment needs. They emphasize the characteristics of small size, strong endurance, light and thin, easy to carry, etc., and continue to move toward the demand for display panels with high display quality, lightness and thinness, high screen-to-body ratio, low energy consumption and wide viewing angles is developing.

Nearly years high end tablets not only have improved computational efficiency and completeness of software function, in the same time there has been emphasized multi-tasking and stability. The demand of high end tablets has increased significantly due to large size with high resolution, narrow border, wide viewing angle, high color saturation, stylus pen products continuing to be released.

For many computer users, the high stability, high processing performance, high storage capacity and the use of a keyboard as an input device make traditional notebooks a stable market. In response to the rise of tablet PCs, PC manufacturers are actively introducing new concepts in notebook design, such as detachable laptops that can switch between tablet and notebook modes of use at any time, gaming laptops with high performance, high refresh rate, fast response time and high color saturation, anti-snooping laptops that focus on business secrets, laptops that can be unfolded at a 360-degree angle, and dual-screen laptops with a main screen and touchpad screen to drive growth in different markets.

For the low-end education and business markets, the mainstream specifications for notebooks are thin and light, with low power consumption and touch functionality as the main demands, while the size is 11.6 inches for the education market and 13.3 inches and 14 inches for business. For the mid-to-high-end business market and mainstream consumer market, 13.3" to 16" products are the mainstream, with FHD resolution and wide viewing angle, and narrow bezel design to reduce the size of the whole machine for easy portability. For the high-end market that emphasizes functionality such as design creation and gaming needs, larger 15" to 17" panels with high refresh rate, fast response time, high color gamut and above QHD resolution are available to differentiate the market needs.

In terms of panel specifications, the thin and narrow bezel design has become a must for notebook panels to match the trend of slim and stylish designs. Aspect ratio 16:9 is still the most mainstream product, with a market share of 73.5% in 2022. In addition, there are notebook panels with 16:10 or 3:2 aspect ratios, which are mainly designed for high-end models. 16:10 was mostly used by Apple models before 2021, but the market share increased to 23% in 2022 due to the entry of non-Apple models, and 3:2 also has a market share of 3.5% at present; with the expansion of 16:10, it will erode the market share of 16:9. It is expected that the 16:9 market share will decrease to 61% and the 16:10 market share will increase to 36% in 2023.

The penetration rate of IPS wide viewing angle is increasing year by year, with 70% of the products have wide viewing angle specifications in 2022, and the penetration rate is expected to reach 80% in 2023. The narrow bezel is the fastest growing trend and has become the standard specification for notebook panels in recent years. In addition, high refresh rate notebook panels are mainly for the gaming market, with 120Hz and 144Hz as the mainstream specifications. The future will be towards 240Hz or 360Hz with HDR1000 or more for high-end models, and the development of privacy panels to protect trade secrets is the answer to the market for high-end models; there has always the demand for endurance for notebooks, and the continuous reduction of panel power consumption has become one of the key development points, and in the future there is a demand for mini LED backplanes to improve resolution and enhance contrast. Laptop panels are an application with higher technology contents, and in the future, specifications will become more diversified to meet different market needs and drive consumers' willingness to replace their laptops. Differentiate market demand with advanced products such as Super Low Power, HCR (High Contrast), Mini LED, and LTPS, and drive consumers' willingness to change new laptop.



Source: Omdia Research

(2) LCD Monitor

LCD monitors mainly go with desktops; two mainstream markets are office use and personal video and audio entertainment use. Office use LCD monitors are generally sold by brand manufacturers with the host machine; product specifications are relatively simple with moderate cost and small size to meet the budgets of enterprises and government agencies. In terms of personal video and entertainment products, as consumers focus on video and audio usage, the size has been increasing recently, and products equipped with wide viewing angle and borderless technology have become the standard specification. At the same time, consumer demand for high-definition products is expected to rise, and the market for QHD and UHD high resolution products is expected to continue to expand and gradually become the mainstream of the high-end market. Continuing to promote and develop low-power screens (ES8.0) is also the main direction of the product.

In the future, LCD monitors will move towards four-sided narrow-bezel products to seize the narrow-bezel market, and emerging products such as Curve, ultra-thin, and Ultra-wide Monitor are also the future development direction. In addition to toward large sizing, new technical products such as IGZO, Mini-LED Monitor and IPS Contrast Enhancement Technology are also the main development goals. In terms of product development, we will strive to develop low-reflectivity products to upgrade the visual experience of the screen; we will promote ESG products and increase the use ratio of recycled materials to achieve energy saving and carbon reduction; low blue light eye protection products are also a direction of continuous expansion.

About size, due to an increase in the manufacturing efficiency and efficiency of product design structure, the price of TFT-LCD products is dropping and accelerating market demand for a transfer to the bigger size. Office use products have gradually shifted from 18.5", 19.5", and 21.5" models to 23.8" models. The average size of personal audio-video entertainment products has also gradually increased, with 23.8", 27", 32" and 34" increasing in proportion, and large-size desktop monitors with curved specifications are becoming popular. In addition, the 21:9 and 32:9 aspect ratios of ultra-wide screens with curved design and dual-window multiplexing can improve productivity in the commercial market and enhance the visual enjoyment in the consumer market, promoting the high-end market to large-scale development. In terms of LCD wide viewing angle technology, the market share of IPS has grown to nearly 70% in 2022, and is expected to reach 80% in 2024; in recent years, the China-based factories have also increased investment in VA production capacity, with a market share of 25% in 2022, and TN will gradually be replaced.

Except for standard LCD monitors, All-In-One (AIO) which is an integrated design of the desktop host and monitor. Because of advantages in functionality saving space, the product is winning customers. As the Windows 10 operating system penetration rate increases, it accompanies the All-in-One product with touch function and accessories design adding greater entertainment function. It also shows a new appearance for the market of LCD monitors.

With the rise of the digital gaming market in recent years, e-sports has officially become one of the international sports events. Compared to mature desktop monitors, the average replacement cycle for gamers is only 2-3 years, and the specifications and prices of e-sports monitors are higher than those of products in general demand, making computer brands to actively deploy. Currently, gaming monitors are 27" and above, with curved surfaces and 144Hz refresh rates as the mainstream, and in the future, they are moving towards 240Hz or 360Hz and above. In addition, for people who use computers for a long time, low blue light protection function has been developed to prevent the damage of blue light to users' eyes, and the emerging specifications in the future also focus on the development of mini LED, Megazone and other technologies to differentiate the market demand.

Feature	2021	2022	2023	2024	2025
Display	LCD/QD OLED & WOLED				Micro LED
Aspect ratio	16:9 (1 st mainstream)/21:9 (2 nd mainstream) & 32:9 (Curve)			16:9 (Focus on consumer) 16:10 (Target to become commercial)	
Resolution	FHD/QHD/UHD/8K4K				QHD/UHD/8K4K
Color gamut	NTSC 72~110%	72% (100% sRGB) for consumer 100% (100% Adobe RGB or 95% DCI-P3) for commercial			Above 150% BT2020
Frame rate	60Hz for normal 120~360Hz for gaming		60Hz for normal / Plan 120Hz in consumer premium 144Hz~165Hz for light gaming / 240~360Hz for heavy gaming / 480~600Hz for expert		
Contrast ratio	IPS 1:1000 VA 1:1500	IPS 1:2000 VA 1:3000		IPS 1:3000 VA 1:5000	IPS 1:5000 VA 1:8000
HDR	VESA HDR 400/HDR 600/HDR 1000 (HDR1.0) NVIDIA HDR/HDR Pro		VESA HDR 400/HDR 500/HDR 600/HDR 1000/HDR 1400 (HDR1.1) NVIDIA HDR		HDR2.0
Low blue light	TUV Rheinland (Change LED)	EyeSafe (Change LED/film/color resistance & restriction of LED Pin area)			
Low power consumption	a-Si with DEBF or IC	Oxide with DEBF or IC	LTPO with DEBF or IC support solution		
New feature	Borderless/curve/dual-cell/privacy/touch/low blue light/ Mini LED backlight (1152 dimming zones)		Transparent / Mini LED backlight (5000 dimming zones)		Rollable/ES9.0/ Micro LED backlight

Source: Omdia Research

(3) LCD TV

In recent years, LCD TVs fast popularization due to each manufacturer developing G8.5 and G10.5 capacity, goes with the improvement of each phase of production technology. It not only has become customers' first choice when buying a new TV, but also has stimulated the traditional TV refresh cycle.

Meanwhile, when the market is warming up and products becomes popular. Innolux is the pioneer of providing differentiated large size models (especially 50-inch, 58-inch and 65-inch, 75-inch, 85-inch, 100-inch, 120-inch), dedicated to effectively improving the technology of each product to significantly increase the panel's added value, gain customers' brand recognition, and market segmentation, and increase the market share of large sizes. At the same time, we provide the services of the whole machine, so that the panel manufacturing can be assembled in one machine, providing one-stop overall service.

With the trend of high-resolution mobile display devices, consumers are meeting the demand for high-definition TVs. In the second half of 2017, 4K2K ultra-high resolution products were launched, which is the fastest manufacturer and the highest market share in the industry. The Company is leading the industry to promote ultra-high resolution 8K4K (7680x 4320) with high color saturation (NTSC >100%) panel, has been promoted to customers in 2020 is expected to grab the market in the 2021. In terms of technology, the Company proposed in the 4K2K LCD TV module in 2018 that the Mega-Zone achieves pixel-level regional dimming control with dual panels, which enhances the display quality of the dark state and deep black performance to improve the visibility of the screen. In 2023, the European Union established energy consumption regulations for 8K products, those who do not meet the regulations will not be able to sell goods in the EU. Although it will inhibit the growth of 8K shipments in short term, with the development of 8K high-definition transmission protocol, 5G signal transmission standard, high-efficiency video coding and multimedia transmission interface specifications, and cooperated with audio and video media to launch 8K movies and broadcast programs, the 8K4K has become a must-have specification for large-size TVs subsequently, and with the new transmission specifications of 5G, it will create 8K+5G future life.

On the design of panel appearance, the company provides ultra-narrow frames (<5mm) and ultra-thin design (thickness <4mm) using on products over 40-inch, integrate paint design on appearance to make client rapid input and mass production. End customers not only enjoy the real 4K image, also provide the real high quality of excellent vision and sensual experience. Innolux provide client and customer comprehensive and high competitive TV panel by innovation continually, and continue to lead the market trend and become lead firm of the industry.

The Company is constantly developing new and improved TV products. In recent years, we have developed new models using technologies such as Kirameki, naked eye 3D, VRR (60Hz~240Hz), and rollable TVs using AM MiniLED, all of which are industry leaders. In addition, we increased the development of high-niche products (special product specifications: such as 24:9, 32:9, etc.), strengthened

customer loyalty and mass-produced new technology products (MiniLED B/L Module, VRR and Outdoor PID).

With the changing market situations and customer demands, the Company is seeking for new changes in the TV display industry and creating the expectation of sustainable development in line with the spirit of continuous innovation and digital transformation. In response to ESG sustainable development, we are committed to the utilization of recycled materials to achieve the effect of energy saving and carbon reduction. In addition to promoting waterproof/dustproof/crashproof outdoor advertising screens, responding to the global layout of charging piles, and working with brands to capture market shares, we also add new models of long strip screens, respond to the demand for digitalization of rail transit applications, strengthen the applications of vehicle travel control and passenger information to expand the market of vehicle digitization. Thin curved technology is also a direction needing continuous efforts. We will continue to work on thin curved technology to meet the needs of different curvature display applications and expand niche product applications.

Feature	2019	2020	2021	2022	2023
Display	LCD/OLED	Mini LED for larger than 120 inches		QD-OLED	MicroLED
Resolution	FHD/UHD	8K4K			
Colorgamut	72-94%	95-110%	100-110% for 4K/Rec 2020 (150%) for 8K		Above 150% ???
Frame rate	60-120Hz	60Hz for normal/120Hz for sports/144Hz for gaming		165/240Hz for gaming	
Backlight (LCD)	E-LED and D-LED for normal FALD and OLED for premium		E-LED for low end/FALD for mid-end/Mini LED and OLED for premium		MicroLED
T-con	T-con less by customers' request/T-con with HDR for mid-end/OLED T-con and 8K T-con for premium				LED T-con ???
Border	0.9mm left/right			0.5mm left/right	
Newfeature	Dual cell	5,000 nits with 5,736 dimming zones	Mini LED backlight (5,000-10,000 dimming zones)	Transparent/Microbacklight	

Source: Omdia Research

(4) Medium and small size panel

Since panel makers started mass production of cell phone panels in G6+ generation, the competition in the small and medium-sized display industry is not only price competition, but also the market demand for higher resolution, higher quality panels and full-screen, customized designs, making it necessary for small and medium-sized panel makers to refine their product technologies, specifications and integration with other applications. In addition to the wide viewing angle technology that has become the standard for cell phone panels, with the increasing size of cell phone screens, manufacturers continue to launch high-resolution products and further promote thinner, narrower bezel and more power-efficient product specifications. At the same time, we are optimizing our competitiveness with embedded integrated touch technology, providing customers with high performance, extremely thin and light, and integrated touch and LCD module services to enhance product design flexibility and time-to-market advantages.

With the rapid penetration of full-screen cell phones, the Company is also rapidly adjusting its production lines and specifications, developing and producing a large number of competitive full-screen products to capture the market, shaped cutting and integrating touch technologies, introducing advanced technologies such as multi-touch, tactile feedback and underwater touch, and continuing to refine cell phone panel applications. In addition to this, the Company has been expanding into applications such as game consoles, wearable devices and smart living homes, developing ultra-high resolution smart watch panels, VR glasses, smart mirrors and other products.

We have been actively investing in the research and development of next-generation panel technologies. Among them, Mini-LED has entered mass production in 2021 and has become a new generation panel technology. We are committed to increase the product penetration, besides price competition, we have

developed more niche and high value-added products; developed high-resolution and high-brightness technologies for VR, AR Dimmer, 3D printer application markets; for the VR market, we have also continued to develop high-resolution and high-brightness technologies for this application market. We hope to widen the gap with competitors with technology and achieve sustainable operation in the industry.

4. Competition in the market

With the integration and merger of China-based manufacturers and the gradual withdrawal of Korean manufacturers from the TFT-LCD market, Taiwanese manufacturers' market share of 2022 large-size shipping area was about 19% with the leading technology, perfect supply chain integration and high production efficiency, and the main players are Innolux and AUO. Japan manufacturers' market share decrease gradually due to higher production cost, decreased in new factory investment plan, plant shutdowns, transfer to niche markets like high end mobile display, automotive display panels, and ultra-big TV market.

Due to the government's high-tech policy, the support of the vast domestic market, and the high subsidies from the central and local governments, mainland panel makers have been investing heavily. In recent years, BOE, ChinaStar, HKC, CHOT, and CEC have taken advantage of government resources to enter into the production of G8.5, G8.6, and G10.5 generations, making the competition in the display industry increasingly fierce. As a result, many panel makers with poor business performance are merging gradually, and the expansion of large-generation production capacity of mainland makers is still in progress, which will slow down after 2022 due to poor overall market condition.

In the face of the aggressive panel manufacturers in China continuing to seize the market and share the market at lower prices as a latecomer, the panel manufacturers have developed towards strategic competition. Korean manufacturers have led a trend in the market with differentiated products, including OLED TVs, QDLED TVs, and curved displays and gaming monitors. Taiwan manufacturers have taken their place in the market with high specifications and high quality and are striving to break through with new technologies (ex. Mini/Micro LED). In the face of the ever-changing panel industry, the operation will become more critical in the future, and every panel manufacturer will always be cautious about costs and prices and will deem steady profitability as a necessity.

5.1.3 Technology and R&D Overview

1. Technical Level and Research Development

We keep helping clients to intensify product competitiveness, fit market demand, and be friendly to the environment as our main objective of display technique development. About the development, it mainly includes environment protection materials, electronic saving and low power consumption, large-sized and high pixel, high chroma, thin, narrow frame, high dynamic displays, touch, wide viewing angle, curve and all-around system services integration. We already have obtained remarkable achievements. These results of technical development are applying to TV, desktop monitor, Notebook, Tablet, Cell Phone, Medical, Industrial Display and automobile. Moreover, the integrated development on the touch components and panels of more advanced techniques and portable and wearable product applications are the key points of our future product design and development.

2. Facts of research & development

With incessant efforts, the Company has insistently invested significant human resources, resources and funds in research & development to continually upgrade the quality of products, technology & know-how of new manufacturing process and application for new products. The Company would like to depict performance in research & development through three aspects below:

(1) In the aspect of upgrade of product quality:

Including the technology & know-how for wide viewing angle, high solution, low energy consumption, thin thickness, high hue, frame rate, high dynamic range, narrow frames, curved surface, new touch panel and soft display manufacture process.

(2) New material technical process:

Including Oxide, LTPS, Mini LED, Mirco LED, In-Cell Touch Technique, Copper Manufacture Procedure, COA (Color Filter on Array), Photo-Alignment, Horizontal Electronic Field High Transparency and High Contract Positive Magnetic Susceptibility, Reducing Mask and Automotive wide temperature range display material technique, material development and production process for curved touch control display.

(3) In the aspect of new product application:

The up-to-date technology & know-how developed by the Company have been put into volume production one after another and applied onto a good number of products, including notably general cell phones, cameras, MPD, electronic paper, tablets, notebooks, desk monitors, AIO, television, medical treatment services, vehicular carriage, aerospace, industrial control, smart home, outdoor PID and touch panel and the like, in the dimensions ranging from 1.36” to 120” TFT-LCD products. In the days and years ahead, we will continually invest in the research & development oriented human resources and fund to develop more and more TFT-LCD display and monitor products of added dimensions, application ranges, thinner, more environmental protection friendly and high efficiency to live up to the future trends in application and satisfy customers in varied ranges.

3. The consolidated research & development costs invested in during the current fiscal year up to the date of publication of the annual report.

Unit: NT\$ thousand; %

Item	2022
R & D expense	13,045,403
Sales Revenue	223,715,758
Percentage of Revenue	5.83%

3. Successful development technical or product

The Company's develop technical and products for each direction are listed below.

(1) LCD TV:

- A. The Company has mass produced 23.6-inch/40-inch/50-inch/58-inch/65-inch the best cutting efficiency size, we creating market differentiation and improve add-value of product.
- B. Introduce 4Kx2K ultra high definition and high resolution TV display, the product line is complete, product size from 40-inch to 120-inch, providing higher quality TV image and better product competitiveness, lead 4K TV industry going to fast development and trend.
- C. Introduce new size 75-inch/85-inch/100-inch/120-inch TV display, overall arrangement in big size application, creating more differentiation product than competitors.
- D. Develop high chroma technique, increasing to over 130% sRGB colour range and without increase energy consumption, not only increase the performance of display, but also make customers feeling more about the value-added of big size TV product. It has successfully developed a high-efficiency BT.2020 90% technology without Cd / Pb and other heavy metal materials, which can reduce the image distortion, caused by the adjustment of color and faithfully present all real-world images.
- E. Develop new MEMC improvement technique, apparent improving dynamic quality and integrate IC, increase dynamic picture quality and integrated technique.
- F. Develop and mass produce a series of over 40-inch thin TV model (<4mm), providing artistic and fashion appearance model to clients.
- G. Develop 0.5mm thin glass and apply to TV display, reduce glass usage and cost. Whole series big size TV import and mass production successfully.
- H. Develop narrow border model (<5MM) successfully, and provide customers with beautiful and stylish modular design.
- I. Develop Inno Module model, combine narrow frames and front and back appearance, provide clients high competitive module and reduce assembled time and cost. In 2020, our production lines for all sorts of panels were complete and comprehensive and were in an excellent position to enable customers to

enjoy the excitements of one-stop shopping.

- J. Mass produced of 65-inch/75-inch large 8K4K (7680X4320) panels with the highest resolution in the world, in order to show the next generation of ultra-high-resolution picture quality, make the picture more natural, so that end consumers can enjoy large-size high-resolution TV panel products with high-fidelity picture quality.
- K. Mass produced of outdoor PID and promoted outdoor TV, and developed high-niche products (special product specifications: such as 24:9, 32:9, etc.), strengthened customer loyalty.
- L. Increased new models of long strip screens, respond to the demand for digitalization of rail transit applications, strengthen the applications of vehicle travel control and passenger information to expand the of vehicle digitization.

(2) LCD Monitor:

- A. Launch whole series wide viewing angle VA/AAS bezel-less desktop monitor panels, and launched 28" and 32" 4K2K monitor panels. with high brightness, high contrast, high saturation, not only increase product quality and value, but also provide client the best choice of high end monitor LCD panel.
- B. Develop several model of globally new Inno-touch monitor and AIO personal computer, by integrate touch as multi-function use can reduce module thickness to become light, increase touch functional can close to end customers' need.
- C. In response to the demand of the gaming market, develop high refresh rate LCD monitors, introducing 27", 28" and 31.5" panels with 144Hz and 23.8" panels with 240Hz refresh rate, and improving the LCD response time to provide customers with the best visual experience during gaming.
- D. Continue to invest in development from 2022 to 2023, and launch differentiated products such as 27"IGZO screens and 32"Mini LED, and expect to develop 34" curved screens, in order to maintain the Company's leading position in desktop displays with these high-end products, and to increase profitability and improve overall revenue.

(3) Notebook:

- A. Launch a full range of thin and light notebook panels with 2.0mm thickness for notebook sizes (11.6"/12.5"/13.3"/14"/14.5"/15.6"/16.1"/17.3") and differentiated with FHD, AAS wide viewing angle, narrow bezel, low power consumption and high color gamut specifications to provide a comprehensive solution for notebooks.
- B. Interface technical of Notebook panel is totally from LVDS to eDP. It can connect to high resolution trend, also can save space to help thinner design of the system and lower the energy consumption.
- C. Develop TOD technical on notebook panel, through touch integration, notebook not only can be thinner but also can reduce produce process of the module and simplify the complexity of new product.
- D. Introduced 14.5" and 16" with 16:10 aspect ratio, realizing the design trend of high screen-to-body ratio, and continuously reducing the frame design to expand the user's field of vision.
- E. Develop 15.6", 16.1" and 17.3" with 144Hz and 15.6" with 165Hz high speed response, low blue light, no color shift gaming panel, using the patented LED chip design of the Company, effectively reduce 70% of blue light energy, the product through the TUV Germany Rhein low blue light certification, can relieve eye fatigue and provide more comfortable enjoyment for long-time gamers.
- F. Developed dual 13.3" and 14" privacy panel, which does not affect the brightness and chroma of the panel under better concealment effect, and is adopted by high-end commercial laptops of first-line pen power plants.
- G. From 2022 to 2023, we will continue to invest in development and expect to launch new products such as more advanced LTPS, Oxide Polar black, and Mini LED, and will develop power-saving and frequency conversion (30~120Hz) products to take notebook panels to a higher level of development.

(4) Medium and small size panel:

- A. Develop a smart phone panel, which resolution can reach above 400ppi, in high yield and stable processes. The product successfully built advantage.
- B. Develop LTPS QHD and a-si FHD 0.6mm panels with bezels smaller than 0.45mm to reduce panel module size and effectively increase screen-to-body ratio to meet the demand of smartphone and tablet users for narrow bezels. We have successfully developed a full-screen bezel-less 6" wide color gamut touch panel with precise control of the plastic frame, cutting accuracy and exterior glass design to make

the module surface aggressively small and ultra-slim to push the specification advantage to the extreme and increase the freedom of portable mobile device display appearance design.

- C. Adopt less power hungry design to lower power consumption by the panel drive chip. Optimize panel production process and material with high color saturation, high transmittance color photo-resistor to ramp up panel efficiency and product competitiveness with balanced low power consumption and production costs.
- D. Launch a series of Touch On Display (TOD) and develop Touch In Display (TID) integrated touch control devices. Coupled with modular and compact design and good optical performance, the Company is providing customers with thin, lightweight, high-performance niche products and comprehensive and full range touch control integration services with vertically integrated LCD panels and touch control production.
- E. Deep Sensing Technology using a special electrode design to simulate 3D multi-finger-touch tactile sensation, combined with dual advantages of capacitive touch and resistance, highly identification surpasses 2D touch.
- F. UTID technology (Underwater Touch in Display) solves the problem of touch failure in water and enhances the application of more scenes for users.
- G. Mini-LED has entered mass production in 2021 and has become a new generation panel technology; its goal in 2022 is to increase the product penetration.
- H. Expect to continue to invest in research and development in 2022 to 2023, and will continue to introduce curved, fast-response high refresh rate gaming and integrated under-screen fingerprint recognition panel specifications and develop high-resolution and high-brightness technologies for the VR application market to enable small and medium size across more consumer electronics applications.

(5) Special Application

Release 21.3-inch to 30-inch (AAS; 5/6/10/14 MegaPixel) medical LCD display, with high resolution, high brightness, high contrast, adopt 10 bits drive new technology and high efficiency LED BL, to make the image more delicate and medical personnel can make more precise judgment.

Large-size public displays span from 21" to 100" applications, present natural high color gamut and give consideration to both indoor and outdoor environment. It also provides a very narrow frame design so that PID can be seamlessly spliced into different scenes to meet screen requirements. 85-inch UHD also support portrait. Also first release horizon LCD display (bar type) presents multiple sizes can fit for multiple environments. In 2018, a 100-inch 16K high-luminosity quantum dot public display module was introduced to replace the traditional four-panel 55-inch panel mosaic to present the visual effects of a large-scale video wall, which is widely used in large-size BillBoards.

5.1.4 Long- and Short-Term Business Development Plans

1. Short-term Business Development Plan

- (1) TV: Increase shipments of large size (82" or more), 8K, VRR, and other products with high gold content, and increase the development of high-niche products (special product specifications: such as 24:9, 32:9, etc.)
- (2) Desktop monitor: production size moved to 23.8" mainstream specifications, and continue to increase shipments of large size (27" or more), QD/UD, increase the percentage of IPS, borderless, high refresh rate (Gaming) shipments, and mass production of new product specifications such as IPS Curve, Privacy, four-sided borderless, PM Mini LED backplane, Ultra-wide Monitor. Continuing to promote and develop low-power screens (ES8.0).
- (3) Mobile computer: Increase the shipment of IPS, HFR (Gaming) and TOD panels, continue to reduce panel power consumption to achieve more power-saving performance, enlarge the shipment performance of Privacy, and develop high-end products such as LTPS, Oxide, Polar black, and Mini LED. In addition, the continuation of high refresh rate gaming products (240~480Hz) and the development of power-saving and variable frequency (30~120Hz) products are also important product development directions.
- (4) Cell phone: Continuously improve cell phone panel pixel and color performance, integrate Touch module and narrow bezel, and improve cell phone panel refresh and response time performance.

- (5) In-vehicle: Deepen the cooperation model with car manufacturers to improve the shipment of integrated modules for automotive applications, expand the capacity of automotive applications and continue to penetrate into larger sizes, and reduce the cost of automotive panels by standardizing production.
- (6) Special applications: Provide full size and develop more life scenes applications, cooperate with government, medical institutions or private enterprises to provide a full range of solutions.

2. Long-term Business Development Plan

Continue to improve our advanced flat panel display technologies, enhance our manufacturing capabilities, and optimize our existing production capacity so that our panels can move toward larger sizes (120" and above), higher resolutions (16K), thinner and lighter, high color gamut, ultra-high contrast ratio, extreme borderlessness, and low power consumption. In response to the rise of new display technologies, we continue to invest in the development of integrated applications such as free-form and curved panel applications, Polar Black technology, under-screen fingerprint recognition, and naked-eye 3D technology, and we continue to aim to reduce the spacing of active Mini LEDs and to develop mass production of large-size AM Mini LEDs and Rollable panels, ultimately moving toward Micro LEDs.

In the future, we will focus on cross-domain expansion to non-display field, and move towards Panel Semiconductor by developing new forms of business such as X-ray sensors, fingerprint recognition sensors, flat panel antennas, and fan-out panel packaging (FOPLP). We expect to be able to make the most suitable strategic deployment in new application areas at an early stage. Meanwhile, we shall further stress value chain integration and development of products high added values, to make our products more competitive in both pricing and specifications to provide customers with added solutions and services.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Main products selling area

Unit: NT\$ thousand; %

Area		Amount of Sales 2022	%
Domestic Sales		51,261,767	22.91%
Foreign Sales	China	25,219,962	11.27%
	HK	64,529,052	28.85%
	America	39,995,184	17.88%
	Others	42,709,793	19.09%
	Subtotal	172,453,991	77.09%
Total		223,715,758	100.00%

2. Market Share

According to the statistic of Omedia research report, until 2022, the market of the Company's big size panel shipment is 9.5%, which is the 5th largest supplier of the world LCD display industry. Based on application product shipment quantity distinction, global market share of LCD display panel is 9.7%, maintains world's 6th ranking performance; global market share of LCD TV panel is 13.3%, world's 4th ranking performance; global market share of notebook (excluding tablet) is 18.7%, which is the world's 2nd ranking, global market share of tablet is 19.5%, which is the world's 2nd ranking, global market share of car panel (excluding navigator) is 7.9%, which is the world's 6th ranking; the market share of smart phone is 13.2%, which is the world's 2nd ranking. In the year 2022, the overall sales performance was not as good as expected due to the effects of inflation, China's blockade and the Russian-Ukrainian Conflict. In response to changes in the market, Innolux has adopted a differentiated strategic layout and reduced its capacity utilization rate, refrained from engaging in a price war with Chinese panel makers to increase shipments, shifted to "smart manufacturing" and "smart operation" to promote digital transformation, and implemented the "XYZ Transformation Strategy" to move toward smart operation with automation, data and intelligence.

3. The supply and demand situation and growth of the future market

Due to the outstanding product feature and the continuous improvement of cost and quality, TFT-LCD already become the mainstream of flat display and the sales will keep growth as the improvement of application level and penetration. According to the estimation of IHS the global shipment of big size (over 9-inch) TFT-LCD panel will be 894 million chips in 2022.

If we analyze the market size of several major applications, in the LCD TV, with the continuous opening of large generation production capacity, in order to stabilize prices to maintain profitability, the market has changed from the growth of volume to the enlargement of the average size. Under the pandemic in 2020, the home economy in Europe and the United States has been on the rise, making the end demand strong and supply shortage. The global LCD TV shipments are estimated to be 220 million units in 2020, with the average size of LCD TVs growing by 1.2", and with the rising panel prices in 2021, the end-user prices are also expected to increase. However, due to the shortage of IC/T-con materials, soaring prices of TV, and the unblocking of Europe and the United States, the terminal demand was affected, and the brand shipments were not as expected. Only 210 million units were shipped in 2021. In terms of LCD monitors, due to the strong demand for home office and e-sports, the shipment of LCD monitors (Korean AIOs) is estimated to be 148 million units in 2020. The penetration rate of high-value products will gradually increase as user demand for large-size and high-resolution products rises. The stay-at-home-economy demand kept growing in the first half of 2021, and the consumer market demand was still strong, but due to the shift in consumption power and the shortage of raw materials, the market turned weak, and the demand shifted to the small-sized business market, while the demand for large-sized sizes was slightly weak; shipments grew slightly to 155 million units. In terms of mobile computers (notebooks and tablets), with 386 million units were shipped in 2020, the mobile computer market was optimistic in 2021 as the demand for home office and distance learning continues to be strong. The end-user market is expected to continue to boom in 2021, and the overall shipment is expected to grow to 447 million units, representing an annual growth rate of 16%.

In 2022, the Russia-Ukraine Conflict dragged down European demand and caused the rise of energy prices, and most countries around the world are still suffering from high inflation. The rise in interest rates in the USA leads to the appreciation of the US dollar, which reduces the purchasing power of consumers outside the USA. The resurgence of the epidemic and China's blockage affect the supply chain, which further worsen the situation. With all these unfavorable factors, the overall global economic outlook and sentiment confidence continue to decline, and consumers are constrained by their disposable income. Even though the brand manufacturers have taken significant price cuts and promotions to clear their inventories, the consumers' willingness to change units and purchase new units is still weak, and the global large-size panel shipments for various application decline significantly. Overall, in 2022, LCD TV shipments were 205 million, with an annual decline of 4.2%; LCD screen shipments were 146 million, with an annual decline of 6.2%; mobile computers (notebooks and tablets) shipments were 333 million, with an annual decline of 25.5%.



Source: Omdia Research (Unit:M)

According to Omdia’s estimation, the global shipment of small and medium-sized panels is 2.54 billion units (including OLEDs) in 2022, down 12.8% from 2021. As for cell phone panels, according to Omdia's estimation, the number of cell phones shipped in 2020 was 1.77 billion. In 2021, although the impact of the pandemic result in shortage of some components and price hikes, which affected shipments. With the low base period in 2020 and the continued increase in the market volume of 5G models, the annual shipment volume still climbed to 1.92 billion. In 2022, the annual shipment volume declined to 1.56 billion due to the worsening of the sluggish sales in China, the Russia-Ukraine Conflict, and inflation that weighed on demands in European and emerging markets. As for vehicle panels, according to Omdia's estimation, the shipment of automotive panels was 149 million units in 2020, a decline of 13.6% from 2019, and the automotive market recovered and the shipment significantly increased to 188 million units in 2021 at an annual growth rate of 25%, which further increased to 195 million in 2022 at an annual growth rate of 4%; as in the first half of 2020, we were mainly affected by the epidemic, disruption of raw material supply and plant closures, and the global economic turmoil also affected end-use sales. However, with the recovery of automotive market demand, the penetration rate of automotive displays continues to rise and promotion of the environmental protection policies drive growth in the automotive displays from 2021 to 2022.

With the gradual opening of the 5G communication network, it is expected that the Internet lifestyle will drive the demand for panels for smartphones, automotive panels and wearable devices, becoming the main growth driver for small and medium-sized panels. As the pandemic gradually becomes influenza, the market will return to steady growth, driven by 5G deployment and the feature phone users in emerging markets to buy lower-priced smartphones, as well as the end of high inflation and interest rate increase in USA.



Source: Omdia Research (Unit:M)

Faced with a strong rebound in demand in 2020 to 2021, the changes lifestyle and work are expected to bring a wave of activity to the display market, which has been slowing down for years, and boost end-user demand. However, from 2022 to 2023, the high degree of uncertainty in the global economy, the expansion of production and competition with new players, and the rapid changes in new technologies and product applications have caused the TFT- LCD industry to face a rapid cycle of high volatility in supply and demand. In the face of the mounting cutthroat competition, we shall launch overall upgrade of all substances to deal with all sorts of challenges.

- (1) We shall boost marketing by means of improved operating efficiency, refined management, product development, customer services, technical research & development and such efforts. In turn, we will be able to intensify gross profit in sales, cost control to further intensify competitive edge.
- (2) Continued investment in research & development to suffice technical talents, improve product design and application of materials. We shall proceed with research & development of advanced and improved manufacturing process and new generation monitor technology & know-how so as to create added lead in know-how of products and production costs.
- (3) With wholehearted efforts, we shall deploy integrated product lines for new products. The products manufactured by our Company cover televisions, computers, mobile devices, vehicles- and medical treatment

oriented products. We provide varied modes to sell panels, whole machines, touch integration and the like. Through such efforts, we virtually bring down the potential risks of fluctuation with single products.

- (4) Strengthen supply chain integration, work closely with suppliers to ensure stable supply of raw materials and cost competitiveness, and deepen the deployment of strategic customers and develop market niche products to boost end-user demand and increase our responsiveness to market changes, while enhancing customer satisfaction and consolidating market share.
- (5) Promote flexible decision making and digital transformation by digitally integrating production information, monitoring risk factors in real time and responding to them early, and combine big data and AI analysis to improve employee value, predict future uncertainty and explore potential opportunities to achieve the goal of sustainable development.

4. Competitive Niche

(1) Business model:

The Company takes TFT-LCD as its business, and uses the business policy of “leadership with know-how and quality, boosting of production efficiency and quality” to provide products with stable output, high quality and competitive prices, and is committed to expanding new application, stepping into new fields, in this fiercely competitive industry gradually break new ground.

(2) Vertical and horizontal integration:

In an attempt to strengthen integration of our products, boost cost competitiveness, demonstrate maximum possible benefit in supply chain management, other than production of TFT-LCD panel modules, we dominate a significant ratio of design and manufacture of parts & components, including LED panels, color filter, light guide plate, Backlight Module, PCBA and such structure pieces which could be manufactured inside our home factory or overseas subsidiaries. Meanwhile, we are developing automated assembly production technology to reduce dependence on basic manpower, improve our core competency in product design and quality, and strive to move toward the goal of an efficient factory. Thanks to such high level vertical integration, we have taken advantage in lowering costs, prompt response to assure top level quality.

(3) Product development:

The Company mainly produces TFT-LCD panel modules, and the bulk products cover large-size panels for LCD TVs, desktop monitors and notebooks, as well as small and medium-size mature display products for cell phones, tablet PCs and car monitors. We have advanced and complete production technologies for narrow-bezel, wide-angle and high-resolution panels to meet customers’ needs for various products, and are committed to expanding applications in new fields. We are committed to expanding into new applications. Continue to develop new products, use new manufacturing processes, materials and technologies to develop differentiated high-value products and accelerate mass production in order to capture market share and increase profitability.

(4) Our advantages in costs:

Through our experienced technical and development team, we are constantly refining our processes to reduce production costs and improve yields, and integrating with suppliers to develop high performance, high quality raw materials to improve product performance and competitiveness; together with our aforementioned business model and the advantages of self-production and automated technology, we have a cost advantage over our competitors in production.

(5) Concerted performance (synergy) in marketing:

The Company has diversified products and good marketing channels, which can be quickly integrated with world-class customers. For world-class brand manufacturers, the Company also provides rapid design, timely delivery, machine manufacturing and global services. Integrated services give customers the convenience of a one-time purchase.

(6) Customization capability:

With our excellent R&D and design capabilities, modular manufacturing, excellent supply chain management, vertical integration management and manufacturing cost advantages, we provide customized products to our customers.

Our product line for each application panel size has become more complete, and the design and specifications are in line with the future trend, and we are able to provide customers with services from panel manufacturing to complete product OEM, and have the ability to develop new and high-end products. We have further improved our production capacity and scale, design capability, quality and yield, supply and logistics management and financial stability. In the future, we will continue to develop more diversified and cross-domain products, and continue to improve quality and expand into higher-end and multi-markets in order to maintain our market share.

5. Positive and Negative Factors for Future Development, and the Company's Response to such Factors

(1) Positive Factors

A. New application products continue to drive growth

With the rapid development of wireless communication technology and cloud computing, displays have become the core interface for content transmission and operation in the era of information explosion, and the new “5G+8K” lifestyle has become a strategic focus for manufacturers. The content of information becomes more sophisticated, which pushes up the consumer demand for size, resolution, wide viewing angle, and lightweight and thin design, and drives higher the unit value of TFT-LCD products, bringing new applications and demand growth.

With the increase of Internet audio and video services and the diversification of content to provide more real-time and high-definition programs, smart TV is a signal that cloud applications will start to enter the TV field rapidly. In the future, the Company will continue to launch more large 8K4K LCD TVs to provide consumers with a higher level of visual enjoyment. With the construction and popularization of 5G devices, 8K4K ultra-high resolution will be a must-have specification in mid-range and high-end products in the future, which will definitely trigger a wave of replacement. In terms of LCD monitors, the business market maintains steady replacement demand, while the emerging e-sports market, high-definition, curved and bezel-less elements are driving LCD monitors to larger sizes and driving consumers to upgrade their existing products. In terms of laptops, the business market will continue to see steady replacement demand, while the education market will continue to grow and the consumer market will continue to be driven by operating system upgrades, performance upgrades, energy efficiency, gaming, narrow bezels and privacy PCs.

For tablet PCs, the Company is targeting the education market to increase the shipment of medium-sized panels. In terms of small and medium-sized panels, as the price of mid- to low-end smartphones decreases, they will become the preferred choice in emerging regions for the mobile device consumer market. With the popularization of 5G wireless communication and the promotion of bendable screens, smartphone shipments will continue to rise in the future.

B. Stable customer base

Our major customers are global consumer electronics companies, which have important stands in TV, PC and mobile communication, and special application industry globally. Moreover, the display market will still be dominated by the international big companies in the future, and develops with the direction of “the big ones get bigger”. Therefore, in the Company’s perspective, we not only can grow our revenue rapidly, the market share of us is also expected to keep increasing with our major customer basis. Under the synthesized effects of the three factors: rise of production line completion, stronger customer base, keep developing new customers in newly developed market on the current customer basis.

C. Globalized strategy and vertical integration in depth

Innolux has been recognized as the best LCD panel supplier in all aspects, and had been setting up

global strategy aggressively. Now we have production base of post-production LCD panel module and monitor in Shenzhen, Ningbo, Foshan, Nanjing in China, and we also have delivery hubs in major cities in Asia, Europe, and America, so that we can achieve “deliver just in time” object and strengthen the long term cooperative relationship with customers.

The Company has been working in TFT-LCD industry for a long time, and we have the professional knowledge and managing capability in LCD panel, module, mechanism, and optical components’ R&D, production, and selling. We are more cost-effective and have better capability to service the customers timely than unitary TFT-LCD factory.

D. Growth in size, withdrawal of Korean manufacturers, slowdown in production expansion of China-based factories, long-term supply and demand balance

The cost of Korean panel makers is relatively high, so from a long term perspective, these less profitable players will gradually withdraw from TFT-LCD, and the production capacity of Chinese manufacturers will not be further expanded after 2022. With the increase of large size of each application, the demand for glass area will continue to grow, so the supply and demand of TFT-LCD will be balanced in the long run.

(2) Negative Factors and Response to such Factors

A. Fierce competition in the industry and rising uncertainty in supply and demand

As panel prices continue to rise, the prices of end products are also poised to increase, which in turn affects consumers' willingness to purchase, causing a slight correction in the originally high demand. In addition, the rising panel prices have increased the profitability of the industry, so that the industry, which was originally expected to withdraw or slow down the expansion of production, has become more aggressive and swarmed to the development of high-profit applications, making the supply and demand for each application more volatile and uncertain.

The Company follows the market trend and keeps an eye on the market risks, and uses a flexible manufacturing approach to respond to market changes and develop mainstream and profitable models to ensure product sales and stable profits, and prioritizes production capacity to high-profit products in order to maximize revenue and ensure the Company’s goal of sustainable operation.

B. The complicated technology and patent portfolio

The design and production of TFT-LCD requires highly professional technology. All companies that in this industry are aggressively making their portfolio in technology and patent applications. To avoid the violation of patent rights in the production process, Innolux has been developing our own patents and technology since the beginning of this company. We recruited domestic and international talents to join the research team, and evaluate the feasibility of getting the usage rights of some key technology from foreign companies at the same time.

Regarding to intellectual poverty, we not only aggressively conduct R&D and the patent applications, we also keep strong legal support team to protect our intellectual poverty.

C. The global economy affects consumption and supply

The International Monetary Fund (IMF) predicts that the global economy will remain highly uncertain, with economic indicators showing recession in all countries affected by the epidemic. Although a significant rebound is expected in 2021, the economy is still weak and the developed countries are heavily providing subsidies and easing monetary policies to stimulate strong demand in 2020. It is worth observing whether consumers are still willing to buy when subsidies are no longer available in the future, or whether the future stable demand will be moved earlier. In addition, the U.S.-China trade war originated in 2019 and extended to 2020 has become a technology war, and the future relationship between the U.S. and China will deepen uncertainty, and will also expand to other countries with cooperation or boycott between countries, leading to increased economic volatility, and will also have a

considerable impact on consumer demand.

Although there are many uncertainties, the development of the needs of emerging markets is still the goal of consumer electronics brands. We provide products that are competitive for its cost and specifications by constantly optimizing our products and technology. We also help our supply chain partners to develop business to diminish the operation disadvantages of fluctuation of external demands.

D. Raw material shortage on the supply side

TFT-LCD has a mature manufacturing process, and as production capacity continues to expand with the expansion of display applications, the supply chain has not yet kept up with related materials production capacity, making the shortage of raw materials to limit the supply of display panels, but also the possibility of price increases at the end, which in turn affects the consumer's willingness to buy.

Taiwan has a well-established supply chain cluster, and we have been strengthening our supply chain partnerships and developing our own raw material production capability, so that our material supply is relatively stable and competitive in terms of cost.

5.2.2 Usage and Manufacturing Processes for the Main Products

1. Main Products and Their Main Usage

(1) TFT-LCD

TFT-LCD products are display application for digital information delivery, its wide application including information display equipment for business and industry, computer, telecom related and consumer electronics display equipment, etc. As the development of integrated digital age 3C market, the main area of TFT-LCD product are:

A. Information Technology, IT: such as Desktop monitor and Notebooks, etc.

B. LCD TV and PID

C. Communications and Consumer Electronics: Tablet, smart phone, smart watch, digital camera, digital video, digital photo frame, portable game console, smart home and other high mobility and portable electronic products application.

D. Automotive Display: Gauge board, dashboard, digital reflecting mirror, head-up display, audiovisual TV at back seat, and navigator.

E. X-Ray

F. Special application: medical display, Avionics display, automotive display and other touch panel application.

(2) Touch Panel business

A. Small size (below 7 inch) products mainly apply to smart phone, multimedia player, GPS and digital camera, etc.

B. Medium size (7 inch to 19 inch) products mainly apply to tablet, eBook, Ultrabook, notebook, etc.

C. Large size (above 20 inch) products mainly apply to All-in-one computer (AIO), Public Information Display, etc.

(3) Other emerging businesses

A. Manufacture of LCD TVs

B. LC Meta-Surface Antenna

2. Main Products and Their Manufacturing Processes

(1) Three steps in the TFT-LCD production process:

A. In the Array or TFT Process mentioned in the preceding paragraph, injection and washing for glass

baseplates→ gate metallic layer sputtered coating→ gatemetallic layer lithography→ semiconductor layer continued filming→ Semiconductor lithography→ source/drain film-forming→ source/ drain metal sputtered coating→ source/drain lithography→ protection film manufacturing process→ Protection film lithography→ Transparent conducting layer sputtered coating transparent conducting layer lithography→ thin film transistor electrical analysis→ thin film transistor completion.

- B. Cell or LCD Process: The Cell process fits the Array substrate to a color-filter substrate; liquid crystal is then inserted between the two substrate layers.
- C. Module Assembly or LCM Process: taking the panel from the Cell process and bonding the assembling backlights, IC and frame and other components to make the Open cell, module and system and other types based on clients' demand.

(2) Touch panel business

- A. Sensor Process: Use Semiconductor Litho process to put sensor on the glass.
- B. Lamination & FPC Bonding Process: take the front-end sensor glass as the substrate, fully bond to the protective cover, and laminate with the FPC.
- C. Touch panel modules and LCD/LCM assembling process (TP & LCD/LCM Direct Bonding & Advanced Direct Bonding):
- TP & LCM: taking LCM as the baseplates to be attached to the touch panel modules for overall combination.
 - TP & LCD: LCD (Open-Cell) as the baseplates to be attached to the touch panel modules for overall combination before being assembled with Back Light modules (BLM).

5.2.3 Supply Situation for the Major Raw Materials.

Major Raw Materials	Source of Supply	Supply Situation
Driver IC	Supplier U, Supplier O, Supplier L, Supplier Z	Good
Glass	Supplier S, Supplier P, Supplier J	Good
Polarizer	Supplier W, Supplier T, Supplier R, Supplier V	Good

5.2.4 Major Suppliers and Customers

1. Information of major suppliers in the last two years

Unit: NT\$ thousand; %

Item	2021				2022			
	Name	Amount	Percentage	Relation with the issuer	Name	Amount	Percentage	Relation with the issuer
1	Others	169,326,637	100.00%	None	Others	142,511,699	100.00%	None
	Net purchases	169,326,637	100.00%	—	Net purchases	142,511,699	100.00%	—

2. Information of major customers in the last two years

Unit: NT\$ thousand; %

Item	2021				2022			
	Name	Amount	Percentage	Relation with the issuer	Name	Amount	Percentage	Relation with the issuer
1	Others	350,076,690	100.00%	None	Others	223,715,758	100.00%	None
	Net sales	350,076,690	100.00%	—	Net sales	223,715,758	100.00%	—

5.2.5 Production Volume and Value in the Most Recent Two Fiscal Years

Unit: thousand units; NT\$ thousand

Year Main Products	2021			2022		
	Capacity	Production Volume	Production Value	Capacity	Production Volume	Production Value
TFT-LCD	507,000	479,600	258,800,000	500,100	392,205	231,000,000
Total	507,000	479,600	258,800,000	500,100	392,205	231,000,000

5.2.6 Sales Volume and Value in the Most Recent Two Fiscal Years

Unit: thousand units; NT\$ thousand

Year Main Products	2021				2022			
	Local		Export		Local		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
TFT-LCD	71,154	84,022,636	408,801	266,054,054	101,535	51,261,767	229,632	172,453,991
Total	71,154	84,022,636	408,801	266,054,054	101,535	51,261,767	229,632	172,453,991

5.3 Human Resources

Year		2021	2022	March 31, 2023
Number of Employees	Managerial Officers	2,871	2,895	2,894
	IDL	12,552	12,502	12,285
	DL	37,430	29,416	30,466
	Total	52,853	44,813	45,645
Average Age (Unit: years)		34.29	36.10	35.99
Average Years of Service (Unit: years)		7.12	8.63	8.47
Education Distribution Percentage (%)	Ph. D.	0.16%	0.19%	0.19%
	Masters	11.19%	13.39%	13.11%
	Bachelor's Degree	43.96%	49.31%	47.96%
	Senior High School	27.26%	24.84%	25.29%
	Below Senior High School	17.44%	12.26%	13.46%
	Total	100%	100%	100%

5.4 Environmental Protection Expenditures

5.4.1 Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any remuneration paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

In the most recent fiscal year and up to the publication date of the annual report, the Company has not had any loss caused by environmental pollution event.

5.5 Labor Relations

5.5.1 List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee benefit plans, continuing education, training, retirement systems, and the situation of implementation

(1) Employee benefit plans and implementation status

Employee remuneration and benefits

Our Employees have the labor insurance, citizen health insurance, and group insurance from the very first day of employment. Besides the basic monthly salary, we also provide Luna Festival, dragon boat festival, New Year and retention bonus, and proper performance bonus according to the Company operation revenue; Employee remuneration is issued after the Board of Directors' resolution and the shareholders' meeting report. According to the position, performance and contribution, the amount of each employee is determined to motivate and retain outstanding talents.

The Company deems "talent" as its valued asset, and implements "Employee Stock Ownership Trust" to share the business results with employees and assist employees to start the long-term wealth management and saving plan in the early stage so that it can combine employee performance and shareholder interests to create a win-win situation; at the same time, we continue to create a friendly workplace environment that gives consideration to both work and life. In addition to providing employees with vacations better than the Labor Standards Act, we have offered flexible working hours and the option to work from home since 2022. If employees need to take care of their families due to unexpected accidents, they can choose to work early or late according to the flexible work schedule; the work-from-home approach offers employees a more flexible work style, they can choose to work from home a few days a year. In addition, Taiwan provides filial leave, accompanying obstetric inspection leave, accompanying study leave and refresher leave, allows employees to schedule their leaves according to their personal needs, take care of both work and life balance, and make good use of the travel/study fund. The Company can provide the employees with a good life in InnoLux that brings them peace of mind at work, peace of mind for their families, and enriches their bodies and minds.

In welfare, we have employee restaurants in all factories, and provide meal substitutes according to the Company rules. At the same time provide convenience stores, cafes, banks, insurance, tourism, telecommunications and other diverse assistance. And with the concepts of energy, comfortable life, happiness and health, we built the employee's center, which provides leisure and exercise functions to release our employees' mental and physical stress. We cooperate with manufacturers in sports subsidy programs to provide employee with more flexible sports and leisure venues. In 2022, we were awarded the "Sports Enterprise Certification" by the Department of Physical Education, Ministry of Education, and we continue to implement various sports initiatives and activities to create a healthy and friendly workplace.

In addition, the Company holds regular health examinations, and provides consultation for anomaly and health guidance after the health examination and cancer screening to assist employees in early detection of diseases and early treatment; introduces personal medical images into health management APP, and provides complete and convenient information for employees when seeking medical treatment. Meanwhile, professional doctors are stationed in the plant to provide various health promotion and psychological consultation programs to care for the physical and mental well-being of employees. Besides, we provide multiple self-financed health check-up programs for family members, which not only takes care of employees, but also extends to family members, providing more comprehensive life care.

Based on adhering to the concept of sharing business results with employees, the Employee Welfare Committee is established in accordance with the law to be responsible for the planning and implementation of various welfare programs; including community activities, sports seasons, movie banquets, family days, departmental dedication activities, seminars by talents from different industries, discounts for special stores, etc., and subsidies for festivals, weddings and funerals, emergency relief, etc. To encourage colleagues to cultivate personal interests outside of work and promote work-life balance, through the establishment of

diversified clubs, and the three key points of enrichment, activism, and life-oriented management of the clubs, to meet the different preferences of employees through cross-field, same-interest activities and exchanges, and create both Energetic, creative, caring and joyful workplace environment.

Employee development

Established Innolux University, with “3 colleges and 1 center (Technology College, Management College and Pioneer College, and General Education Center)” and covering 20 courses. In order to realize the Company's goal of creating sustainable value, we integrate company-wide learning resources, and offer a sound certification development framework, and continuously integrate and improve the system, process and development blueprint of human resources development, with professional positions and management functions certification as the cornerstone; including vertically promote quality, green products, legal affairs and other related courses, and then horizontally promote the training of various departments, and also develop business ability training in line with the Company's operation strategy. The Company carries out various talent development projects and expects to cultivate sufficient and high-quality talents to assist our colleagues to deepen their academic skills, learn interdisciplinary knowledge, and develop in multiple ways. In addition, by combining internal/external training channels, such as language learning, E-book learning, on-the-job training, overseas experience and other talent development networks, we aim to enhance the professional knowledge and skills of our employees, improve the talent development network, cultivate management talents, and develop the diversified career path of the Company's operating strategy and organization needs.

We continuously offer a series of courses on digital transformation, plan learning blueprints according to different targets, and cooperate with academic institutions to introduce online and physical learning courses to enhance the intelligent thinking of employee. With the strategic direction of “Digital Transformation” and “Increasing Value”, the Company reflects intelligent manufacturing and operation and continues to increase and strengthen the overall competitiveness of its staff and organization in response to the AI wave of Industry 4.0 and the integration of cross-domain management talents and technology leaders.

In addition, we have invested in industry-academia cooperation and the government-promoted Youth Project to create practical talents for the industry, reduce the gap between learning and application, and cultivate fresh forces with integration of learning and application, and assist young students in employment and practical application. After completing their training, the trainees continue to serve in the Company. In order to spread positive energy to the teachers and students in rural schools, we donate materials every year to help the indigenous students in rural areas with insufficient resources, so as to achieve the goal of promoting sustainable joint development, and continuously implement ESG goals in our operation strategy.

Since 2022, we have been promoting career development and career learning, and established the “Career Development Unit” to take care of and encourage our senior colleagues, and help them to focus on work, health, learning and life, which helps to improve work efficiency and increase the output value of our company. With diversified and rich planning, Innolux helps employees face the second half of their lives with peace of mind and continue to create a win-win situation for both individuals and the Company.

2. Retirement systems and implementation status

At present, there are two kinds of labor pension systems, the old system of retired labor implemented by the accordance with the Labor Standards Law and the new system of retired labor implemented by the accordance with the Labor Pension Regulations.

- (1) The company formulates employee retirement measures in accordance with the Labor Standards Act, and establishes a Labor Retirement Reserve Supervision Committee.
- (2) We hire actuary to evaluate our employees' retirement preparation fund and issue the evaluation report according to the IAS19R financial principles.
- (3) We transfer 2%~15% monthly salary to retirement preparation every month.
- (4) If a labor retirement pension system is established, the Company will allocate 6% of the insured salary to the

employees' personal account established by the Labor Insurance Bureau on a monthly basis to fully protect employees' rights.

3. The status of labor-management agreements

The Company has always attached importance to labor relations and emphasized labor harmony. In order to maintain two-way communication, management and exchange, the company has been promoting zero distance communication with employees through various measures:

- (1) Quarterly labor-management meetings and employee welfare meetings are held, in which representatives from the employer side, composed of senior management, and representatives from the labor side, selected by employees, to communicate directly face-to-face and exchange opinions with each other in an open manner.
- (2) Regularly hold relevant communication meetings, as if the appointment is an obligation, inviting all management and employees to attend, so that employees can understand the current status of the Company's operations and align with the future goals and development.
- (3) Construct a comprehensive communication channel, announcing important information and issues through e-newsletters, boot and screen protection screens, the Wing HR app, iMedia video channels, and the iFB company Facebook; provide all-day communication platforms such as employee care hotline, employee care mailbox, Wing HR-I want to complain and suggestion boxes in each factory. Employees can choose to escalate their problems by name or anonymously, so that their problems can be solved immediately and effectively, and a harmonious labor relations can be established.

4. Working environment and individual safety protection

(1) Safety and Health organization and operation

The Company has set up a central coordinating unit for the promotion of environmental safety and health culture, the development of environmental safety and health management systems and establishing risk management strategies under the President's office, and a dedicated unit for comprehensive environmental and sanitation management affairs in the factory. Each factory invites the top executives of the plant area, various authorities and labor representatives to convene a "Safety, Health and Environmental Protection Committee" on a quarterly basis to discuss the vision and policy, target plan, risks and opportunities, internal and external concerns and communication, environmental safety and health and damage prevention management plans, occupational disease prevention and health promotion matters, infectious disease management matters, and performance appraisal.

In 2022, there are 637 participants at 37% attend the meeting in Taiwan and 243 participants at 45% in Mainland China.

All factories have passed ISO45001 Occupational Safety and Health Management System and ISO14001 Environmental Management System certification. In order to reduce the impact of climate change and improve the resilience of the Company, the ISO50001 energy management system was introduced in 2019, and the pilot plant successfully passed the ISO50001 management system verification in 2020, and the system was continued to be implemented to the front-end process plant. In April, 2021, the Taiwan front-end process plant passed the verification to obtain the certificate. In 2022, it was implemented in the Taiwan back-end process plant, and the certificate was obtained in 2023 to make the environmental safety and health management system more comprehensive and complete, provide a better working environment for factory workers, fulfill social responsibilities, realize the sustainable development goals (SDGs) of the UN and enhance competitiveness to implement the sustainable business philosophy.

Reduce Occupational Hazards

The Company has built an electronic and database based environmental safety and health management system to improve the communication efficiency of environmental safety and health information within the organization. Since 2016, an operational and intelligent environmental safety and health management system has been developed to establish management indicators for environmental safety, health management and risk

management in the plant, so as to measure the performance level of environmental safety and health management, and supervise the operation status of risk management to grasp the trend change.

Through the electronic system, the hazard identification and the risk assessment system are interconnected, as well as the operation safety observation system and the work safety analysis, in order to eliminate the potential hazard factors of the operation activities of employees and contractors, and improve the safety of the operation environment; in addition, the “parallel implementation system” is used to carry out in parallel the corrective and preventive measures of exceptional events to all domestic and overseas plants to avoid the recurrence of similar exceptional events.

In 2022, the number of disabling injury incidents caused by operating and non-operating processes and traffic incidents in the factory increased compared with 2021, resulting in an increase in the Disabling Injury Frequency Rate (FR) to 0.40. In 2022, the Company promoted a safety and health improvement program to enhance the safety and health awareness of employees, and strengthen the safety and health management of the job sites through observing, analyzing, and inspecting the job safety.

The Company will continue to promote the implementation of job site safety observation, analysis, and management program to improve the unsafe job sites and behaviors and enhance the intrinsic safety design of the equipment; promote process automation to reduce the human-machine interaction; implement improvement projects such as Human Factors Engineering Risk Assessment and Hazard Prevention, as well as encourage employees to participate in the plant performance evaluation and activities to reduce occupational hazards and provide a safe and healthy job site for employees.

In order to seek improvement, all the Company’s plants continue to set the performance management goals for Lost Workday Event, Restrictive Workday Event, chemical use management and employee physical and mental health management in 2023, so as to achieve the commitment the commitment to care for employee safety and SDGs sustainable development goals; pursue the vision of zero occupational diseases.

Contractor management

Through regular two-way communication meetings and irregular construction safety courses to strengthen contractors' awareness of environmental safety and health management, they also cooperate with contractors to complete job hazard identification, risk assessment and analysis, and emergency response plans for high-risk operations. In the event of an accident, the Company’s “Accident Electronic Management System” will conduct accident investigation and analysis and implement corrective and preventive measures; in order to prevent accidents, the contractor’s hazard assessment and prevention capabilities will be promoted and strengthened through education and training activities, and the operation activities may trigger rescue and response drills for accidents.

The contractor Disabling Injury Frequency Rate (FR) 0.00, Injury Rate (IR) 0.07 and Lost Days Rate (LDR) 0 in 2022, which showed a downward trend compared with FR was 0.26, IR was 0.11 and LDR was 3 in 2021. The work-related fatalities rate was all 0. The construction work of the contractor will continue to implement the safety analysis of the contractor's work, take preventive measures, toolbox meetings and other measures to prevent the recurrence of accidents in 2023.

ESH Training and Contingency drill

Employees are the most valuable asset. Training is an investment that never depreciates. ESH training is the basis for the promotion and practical implementation of our ESH management. We make long-term investments in human and material resources according to the hazard profile of each plant. We plan, design and deliver training to the staff regarding ESH knowledge and skills, such as injury prevention, machinery safety, fire safety management, and plant safety management. We also monitor and control the training quality and effectiveness. In 2022, 2,662 ESH training sessions were held, for a total of 157,764 participants. On average, employees joined over 3 training sessions per person per year.

The Company builds emergency response organizations and develops contingency plans and preparation procedures for various situations such as fires, earthquakes, chemical leaks, and fires on renewable energy

generation equipment etc., and through daily education, training and drills to enable the Company to deal with them quickly and effectively Disasters and loss reduction.

(2) Risk Management on Occupational Safety and Health

Loss Prevention Management Projects

The Company has long been committed to the establishment and improvement of damage prevention systems and regulations, annual damage prevention inspections and audits, and continuous implementation of improved technology in risk management and control standards, in order to continuously improve and strengthen the Company's physical fitness.

In recent years, the implementation of inspection projects for the construction or expansion of new plants, new processes, renewable energy systems and energy storage systems, and major changes, fire and natural disaster risks has comprehensively strengthened the Company's physical risk management to enhance the Company's risk tolerance and recovery ability after facing shock.

In 2022, the Company has implemented programs for introduction of hierarchical chemical management system, chemical pipeline deterioration inspection project, supply chain environmental safety and health resilience assessment and cooperation project, and COVID-19 resilience supply chain system BCP drill to eliminate process hazards, ensure process safety and increase environmental safety and health management resilience; in response to Taiwan's water shortage and drought situation, the Company will launch a drought backup plan and prepare guidelines for water shortage and drought backup to strengthen the future business risk management capabilities. In the future, the Company will continue the past experience, and consider internal, external and industry concerns about major risk trends, such as climate change threats, fires and explosions, external service supply and other operational interruption threats; the Company will internally execute and optimize the continuous operation management system and carry out safety audits of electricity system and renewable energy system, and extend outward to the environmental safety and operational risk check of the factory-resident suppliers. In response to the international concern of climate change and ESG issues, we will strengthen the promotion of net zero carbon reduction actions, share our environmental safety and health management through industry-government-academy seminars, refine our short and medium-term net zero carbon reduction targets, continuously increase the capacity of solar panels, expand the introduction of the ISO 50001 energy management system, and improve energy efficiency, so as to strengthen the mutual coexistence of stakeholders inside and outside the Company, and implement sustainable business operation.

Prevention and Management of ergonomic hazards

In recent years, the proportion of occupational musculoskeletal disorders in the occupational disease benefits of labor insurance is increasing year by year. Prevention and control of ergonomic hazards is one of the key points of active management in the industry. In order to effectively prevent the occurrence of diseases caused by occupation-related factors, the Company has taken the following measures:

- A. Identification and analysis of the risk of job-specific processes of a systematic, resource and continuous improvement mode execution.
- B. Occupational Safety and Health Act will trigger repetitive operations, such as pre-musculoskeletal diseases Anti concept implanted "hazard identification and risk assessment norms" to implement career In order to effectively prevent and control concepts, health management must be through hazard awareness, assessment and control improvement.

Prevention and Management of overwork related illness

The Company aims to effectively prevent abnormal workloads from causing diseases and ensure the safety and health of employees as follow:

- A. Ensure that employees' working hours, rest, and vacation conditions are in line with local labor regulations.
- B. Perform workload level assessment, including employee overload and work pattern assessment, and assess the risk of cardiovascular disease incidence of employees based on health examination results, and adopt health management.

- C. The health management system was implemented, including annual regular health checkups, risk case identification and management, anomaly tracking management, mental health management, matching work, fitness adjustment, etc.
- D. Actively promote mental health management and stress management-related preventive education and disseminate the rules of overload prevention, knowledge of preventing workplace fatigue related diseases, and health management strategies to employees through various ways.

Maternal health protection and management

In order to ensure the well-being of female employees and protect their health, Innolux Corporation, taking into consideration the impact of gender differences and pregnancy on health risks, has implemented maternal health protection activities and management, including:

- A. In conjunction with the local labor laws, parental leave allowance is implemented, miscarriage prevention leave and family care leave rights are reinforced, related health protection measures are established, internal standard operating procedures are set up. For pregnant female employees, health risk assessments are implemented, hazard control and risk communication are carried out, and work adjustments are made as needed.
- B. Health guidance during pregnancy and breastfeeding is provided to pregnant employees. Rest areas and breastfeeding rooms are provided to create a friendly working environment for female employees, taking into account the principles of maternity protection and gender equality in employment.

(3) Recruitment and Staffing

The Company's goal is to employ qualified personnel to create the best possible performance. Our company cares about diversity and equal opportunity. We do not allow employment discrimination based on race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership, and marital status or otherwise. In our day-to-day operations, this means that we monitor and manage our human resources consciously. We analyze and improve turnover patterns. We build a labor force with a balanced structure, which was also integrated into our recruiting policy.

At the same time, adhering to the "take from society, use to society" concept, promote employees with physical and mental disabilities, consider different physical and mental conditions to arrange work appropriately, provide a friendly working environment and strengthen their work functions, so that the work performance of colleagues with disabilities and general colleagues go hand in hand, and the Company also fully fulfill corporate social responsibility.

(4) Zero Distance Communication

Unblocked communication channel

The Company emphasizes harmonious labor relations. To this end, we convene quarterly meetings with the labor-capital committee and the Employee Welfare Committee. High-level managers from the capital side and grassroots level representatives from the labor side engage in two-way face-to-face communications, to exchange views in an open atmosphere. We also have built a full range of communication channels to accept and respect the voices of our employees, which employees can use under their names or anonymously, the Employee 24 hours Care Hotline, the Employee Care Mailbox, I Want to Speak-up, Two-way communication responds to issues such as human rights, labor management and sexual harassment, help employees to find quick solutions to their problems. And Sets up a special unit to handle appeal cases, supervise relevant positions, and protect employees' rights.

Establish a friendly working environment to eliminate unlawful infringement in the workplace

To prevent the employees from the threat of workplace violence, the Company has continued to promote the "Workplace Violence Prevention Program" throughout its factories, establish a complete training and management mechanism, develop supervisors' sensitivity and advanced caring skills, so that it can actively create a physically and mentally healthy workplace, and provide a warm workplace life.

EAPs Employee Assistance Programs

Employees are company's most important asset. Employees are company's most important asset. Innolux understands how difficulties may affect an individual's work and life. Promote Employee Assistance Programs (EAPs), which are integrated into the Wing HR APP platform to provide employees with 24-hour uninterrupted consultation services to assist employees in real time, such as employee care, psychological counseling, healthcare and legal assistance, in an effort to reduce the impact that problems may have on our employees' work and lives. We hope to enable our employees to work with a fit body and a healthy mind and improve productivity.

5.5.2 List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

The Company and its subsidiaries have recently and until the annual report dated, and the estimated cost of labor disputes is NT\$ 0 thousand. However, there is no other case of paying fines due to labor inspections that violate the relevant regulations of the Labor Standards Act.

5.6 Cyber Security Management

5.6.1 The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management

Maintaining information security is essential to promote the digital transformation policy. From the perspective of corporate governance, we have established information management system operating procedures as the highest management basis to control the Company's cyber security, protect the Company's important information assets, and ensure the operations and important businesses. Comply with laws and regulations to gain the trust of customers and enhance the Company's competitive advantages.

1. Cyber Security Management Framework

The Company's cyber security protection objective is to implement cyber security management principles, set quantitative management objectives for cyber security, and strictly inspect the implementation status. To this end, the Company has established a dedicated information security unit in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" to coordinate the formulation, supervision and implementation of cyber security objectives, policies and related regulations. Regularly report to the Chief Information Security Officer, the President, the Chairman and the Board members of the operating results of the cyber security management system and the opportunities for further enhancement.

2. Cyber Security Policy

In accordance with the ISO27001 framework, the Company has formulated the "Information Security Management System" specification document and management system to promote enhanced information security management for the computer mainframes, database systems, application software systems and personal computers, personal privacy information, and business secret on the Company's information service system. The Company also established a secure and reliable electronic information operating environment to ensure the three targets, including confidentiality, integrity and availability of information, and established an emergency response mechanisms that conducts timely notification and adoption of countermeasures when the Company's information system and operational information encounter an cyber security breach to recover to normal operation in the shortest possible time. The contents of the Company's enhancement of cyber security

policy management are described as follows:

Item	Contents
Obtained ISO27001 certification for information management system	<ol style="list-style-type: none"> 1. Control the cyber security compliance and continue to conduct the business contingency drills to protect the Company's critical systems and information security. 2. Passed the ISO27001 certification in October 2021. 3. Passed the ISO27001 certification in an expanded scope in the fourth quarter of 2022.
Induced TISAX certification system to the automobile panel department of the Company.	<ol style="list-style-type: none"> 1. Netherlands plants passed the AL2 certification at the end of 2020. 2. Shanghai plants obtained the temporary label of TISAX AL3 in 2021. 3. Netherlands, Taiwan, Ningbo and Shanghai plants obtained AL3 certification in 2022.
ISO15408 certification system was introduced	ISO15408 Site Certificate regulations were introduced according to customer requirements.
Promoting cyber security awareness	<ol style="list-style-type: none"> 1. Promote the “Month of Information Security” campaign, and hold information security educational training and drills periodically to upgrade employees, information security awareness. 2. Education and training completion rate:100%

3. Cyber Security Management Measures

(1) Establish a dedicated information security unit

Led by the Chief Information Security Officer, regularly review the Company’s cyber security management plan and incident response, and report to the Board of Directors on cyber security governance in the first quarter of the following year.

(2) Enhance information security awareness education and training

Conduct regular cyber security education and training, social engineering drills and cyber security tests every year to enhance employees’ cyber security risk awareness and prevent the occurrence of major information security incidents.

(3) Cultivate full-time professional cyber security talents

We have obtained a number of professional cyber security licenses according to the matters to be handled by the public authorities with A-level information security responsibilities, such as: EC-Council CEH (Certificated Ethical Hacker), EC-Council CSA (Certified SOC Analyst), EC-Council CHFI (Computer Hacking Forensic Investigator), CCSK (Certificate of Cloud Security Knowledge), etc.

(4) Cyber security training and exchange keep up with the times

We introduce external resources (running water) to enhance the professional functions of cyber security personnel, and conduct information exchange to flexibly adjust information security defense measures in response to the trend of hacker attacks, such as: participating in the training course for cyber security elites (CCoE) of the Ministry of Digital Development, information security courses at ACW SOUTH, and SP-ISAC information exchange and education training, and strengthening cooperation with TWCERT/CC (Taiwan Computer Emergency Response Team/Coordination Center) and SP-ISAC (Science Park Information Sharing and Analysis Center).

(5) Continuous improvement of equipment and system architecture

Build firewalls for key equipment and cross-factory firewalls and the privileged account management mechanism, and enhance the backup operation management mechanism to reduce the risk of virus infection affecting company operations. Drill for core systems at least once every three years, and perform emergency response and recovery drills to ensure continuous operations and reduce the impact of major failures or disasters on critical business processes.

(6) Improvement of risk of information and communication

Regularly auditing cyber security to ensure the implementation of information and communication

security. Introduce external cyber security defense solutions and improve internal information maintenance procedures.

(7) Actively join domestic and overseas organizations

Communicate with each other to obtain the latest intrusion threat indicators, and conduct interactive detection and defense with the global cyber security threat information protection network. For example: domestically, we have joined TWCERT/CC (Taiwan Computer Emergency Response Team/Coordination Center), one of the government's eight key infrastructures ISAC-SPISAC (Science Park Information Sharing and Analysis Center), and Taiwan Information Security Supervisors Alliance; internationally, we apply for joining FIRST(Forum of Incident Response and Security Teams), and we are the first member of FIRST in domestic high-tech manufacturing industry.

(8) Investment in Cyber Security

The cyber security management enhancement and defense framework is increasing year by year. The contents are described as follows:

Unit: NT\$ thousand/persons

Year	Implementation budget	Implementation internal manpower	Implementation external manpower
2019	39,000	15	25
2020	50,000	60	50
2021	200,000	184	80
2022	350,000	300	125

5.6.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The Company has established a cyber security management system and standard procedures for handling cyber security incidents, and conducts cyber security incident response drills from time to time to implement procedures for pre-event warning, in-process protection, and post-event identification of cyber security incidents. In 2022 and as of the publication date of the annual report, there were no major information security incidents, nor any property losses or business interruptions caused by cyber security incidents.

5.7 Important Contracts

Contract nature	Counterparty	Contract start and end dates	Major Contents	Restrictions
Land Leasing Contract	Hsinchu Science Park Bureau(HSPB)	2003.03.28 – 2022.12.31	Land Leasing	Pursuant to the terms and conditions set forth under the Agreement
Land Leasing Contract	Hsinchu Science Park Bureau(HSPB)	2004.04.06 – 2023.12.31	Land Leasing	Pursuant to the terms and conditions set forth under the Agreement
Land Leasing Contract	Hsinchu Science Park Bureau(HSPB)	2007.12.01 – 2026.12.31	T2 Land leasing oriented for factory	Pursuant to the terms and conditions set forth under the Agreement
Land Leasing Contract	Southern Taiwan Science Park Bureau	Feb. , 2004 – Dec. , 2023	Land leasing for Zhunan Site, Hsinchu Science Park (Plant No. 2)	Pursuant to the terms and conditions set forth under the Agreement
Land Leasing Contract	Southern Taiwan Science Park Bureau	2015.03.09 – 2035.03.08	Land Leasing	Pursuant to the terms and conditions set forth under the Agreement
Land Leasing Contract	Southern Taiwan Science Park Bureau	2019.06.01 – 2031.04.30	Land Leasing	Pursuant to the terms and conditions set forth under the Agreement
Land Leasing Contract	Southern Taiwan Science Park Bureau	2020.01.01 – 2026.11.30	Land Leasing	Pursuant to the terms and conditions set forth under the Agreement
Land Leasing Contract	Southern Taiwan Science Park Bureau	2020.01.01 – 2028.04.30	Land Leasing	Pursuant to the terms and conditions set forth under the Agreement
Land Leasing Contract	Hsinchu Science Park Bureau(HSPB)	2020.01.01 – 2029.12.31	Land Leasing	Pursuant to the terms and conditions set forth under the Agreement
Land Leasing Contract	Hsinchu Science Park Bureau(HSPB)	2021.01.01 – 2028.09.30	Land leasing for Zhunan Site, Hsinchu Science Park (Plant T3)	Pursuant to the terms and conditions set forth under the Agreement
Syndicated Loans	Bank of Taiwan, CTBC and bank groups	2016.09.06 – 2021.12.06	1. To be used to reimburse the mid-term loan 2. In the amount of NT\$35 billion	Pursuant to the terms and conditions set forth under the Agreement
Syndicated Loans	Bank of CTBC, TFC and bank groups	2018.07.16 – 2023.07.16	1. To be used to reimburse the mid-term loan 2. In the amount of NT\$43.75 billion 3. Medium-term guarantee loan for 5 years (subject to 2 years under the joint credit agreement)	Pursuant to the terms and conditions set forth under the Agreement
Syndicated Loans	Bank of CTBC, Mega Bank, and bank groups	2020.06.24 – 2025.06.24	1. To be used to reimburse the mid-term loan 2. In the amount of NT\$37.5 billion 3. Medium-term guarantee loan for 5 years (subject to 2 years under the joint credit agreement)	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise A	2013.06.17 – 2021.06.30	3D Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise B.	2021.01.01 – 2030.12.31	IPS Relevant patents	Pursuant to the terms and conditions set forth under the Agreement

Contract nature	Counterparty	Contract start and end dates	Major Contents	Restrictions
Cross-licensing	Multinational Enterprise C	2012.07.02 – 2022 .07.02	Display of the relevant cross-patent licensing within the regions.	Pursuant to the terms and conditions set forth under the Agreement
Cross-licensing	Multinational Enterprise D	2013.07.01 – 2023.07.01	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise E	2013.09.05 – 2021.09.05	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Cross-licensing	Multinational Enterprise F	2017.10.01 – 2022.09.30	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise G	2019.01.01 – 2028.12.31	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise H	2019.02.28 – Permanent authorization	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise I	2020.01.01 – 2024.12.31	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise J	2022.05.03 – Patent term	Display of the relevant cross-patent licensing within the regions.	Pursuant to the terms and conditions set forth under the Agreement
Technology transfer	Multinational Enterprise K	2022.12.16 – Completion of project	A-Si IPS and VA LCD related technologies	Pursuant to the terms and conditions set forth under the Agreement

VI. Financial Information

6.1 Five Years Financial Summary

6.1.1 Condensed Balance Sheets and Statements of Comprehensive Income - International Financial Reporting Standards

Condensed Consolidated Balance Sheet

Unit: NT\$ thousand

Fiscal Year		Financial Information for Most Recent 5 Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		169,734,116	133,118,249	159,162,307	175,821,223	165,301,665
Property, Plant and Equipment		206,617,960	194,382,436	178,901,675	162,607,908	157,533,518
Intangible assets		17,681,485	17,577,644	17,506,984	17,520,594	17,511,360
Other assets		17,886,043	24,686,017	23,988,871	111,569,865	43,394,953
Total assets		411,919,604	369,764,346	379,559,837	467,519,590	383,741,496
Current liabilities	Before distribution	120,274,676	110,818,145	109,170,648	116,553,507	92,723,013
	After distribution	120,871,800	111,781,252	113,359,009	127,641,108	(Note 2)
Non-current liabilities		36,654,223	26,836,172	32,822,143	46,169,152	38,023,763
Total liabilities	Before distribution	156,928,899	137,654,317	141,992,791	162,722,659	130,746,776
	After distribution	157,526,023	138,617,424	146,181,152	173,810,260	(Note 2)
Equity attributable to owners of the parent company		254,990,705	231,927,704	237,369,660	304,347,400	252,475,224
Share capital		99,520,720	97,110,720	99,404,332	105,596,201	95,564,562
Capital surplus		99,648,115	100,362,379	99,707,996	103,287,482	103,312,414
Retained earnings	Before distribution	60,485,333	42,398,622	44,317,003	98,667,853	59,766,316
	After distribution	59,888,209	42,398,622	41,175,732	87,580,252	(Note 2)
Other equity		(4,663,463)	(7,325,437)	(6,059,671)	(3,204,136)	(5,565,152)
Treasury shares		—	(618,580)	—	—	(602,916)
Non-controlling interests		—	182,325	197,386	449,531	519,496
Total equity	Before distribution	254,990,705	232,110,029	237,567,046	304,796,931	252,994,720
	After distribution	254,393,581	231,146,922	233,378,685	293,709,330	(Note 2)

Note 1: Financial summary for the last five years audited and certified by CPAs.

Note 2: Pending the resolution by the shareholders' meeting.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousand

Item	Fiscal Year	Financial Information for Most Recent 5 Fiscal Years (Note1)				
		2018	2019	2020	2021	2022 (Note2)
Operating revenue		279,376,115	251,971,209	269,911,051	350,076,690	223,715,758
Gross profit		26,813,558	3,014,080	23,833,098	91,499,680	(6,905,772)
Operating income		4,835,296	(19,933,896)	1,811,797	62,713,075	(31,664,998)
Non-operating income and expenses		1,734,134	3,408,468	745,334	(301,978)	5,442,545
Profit Before Income Tax		6,569,430	(16,525,428)	2,557,131	62,411,097	(26,222,453)
Net income for the period from continuing operations		2,222,762	(17,440,272)	1,639,824	57,545,123	(27,914,776)
Loss from discontinued operations		—	—	—	—	—
Net income for the period		2,222,762	(17,440,272)	1,639,824	57,545,123	(27,914,776)
Other comprehensive income (loss) for the period (net of Income Tax)		(3,596,644)	(2,709,329)	1,548,600	2,811,713	(2,182,942)
Total comprehensive income for the period		(1,373,882)	(20,149,601)	3,188,424	60,356,836	(30,097,718)
Net income attributable to owners of parent		2,222,762	(17,442,990)	1,636,144	57,534,461	(27,990,256)
Net income (loss) attributable to non-controlling interests		—	2,718	3,680	10,662	75,480
Total comprehensive income attributable to owners of parent		(1,373,882)	(20,151,561)	3,184,147	60,347,656	(30,174,952)
Total comprehensive income, attributable to non-controlling interests		—	1,960	4,277	9,180	77,234
Earnings per share		0.22	(1.77)	0.17	5.53	(2.76)

Note 1: Financial summary for the last four years audited and certified by CPAs.

Note 2: Pending the resolution by the shareholders' meeting.

Condensed Balance Sheet

Unit: NT\$ thousand

Fiscal Year		Financial Information for Most Recent 5 Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		149,336,693	112,321,779	136,264,073	137,628,651	116,363,201
Property, Plant and Equipment		176,216,141	164,083,562	147,618,538	131,464,114	125,578,587
Intangible assets		17,599,664	17,446,858	17,365,850	17,378,711	17,342,393
Other assets		95,105,109	101,914,217	103,499,227	167,810,326	114,801,340
Total assets		438,257,607	395,766,416	404,747,688	454,281,802	374,085,521
Current liabilities	Before distribution	146,751,492	137,327,341	134,766,729	98,736,765	78,905,572
	After distribution	147,348,616	138,290,448	138,955,090	109,824,366	(Note 2)
Non-current liabilities		36,515,410	26,511,371	32,611,299	51,197,637	42,704,725
Total liabilities	Before distribution	183,266,902	163,838,712	167,378,028	149,934,402	121,610,297
	After distribution	183,864,026	164,801,819	171,566,389	161,022,003	(Note 2)
Equity attributable to owners of the parent company		254,990,705	231,927,704	237,369,660	304,347,400	252,475,224
Share capital		99,520,720	97,110,720	99,404,332	105,596,201	95,564,562
Capital surplus	Before distribution	99,648,115	100,362,379	99,707,996	103,287,482	103,312,414
	After distribution	99,648,115	99,399,272	98,660,906	103,287,482	(Note 2)
Retained earnings	Before distribution	60,485,333	42,398,622	44,317,003	98,667,853	59,766,316
	After distribution	59,888,209	42,398,622	41,175,732	87,580,252	(Note 2)
Other equity		(4,663,463)	(7,325,437)	(6,059,671)	(3,204,136)	(5,565,152)
Treasury shares		—	(618,580)	—	—	(602,916)
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	254,990,705	231,927,704	237,369,660	304,347,400	252,475,224
	After distribution	254,393,581	230,964,597	233,181,299	293,259,799	(Note 2)

Note 1: Financial summary for the last four years audited and certified by CPAs.

Note 2: Pending the resolution by the shareholders' meeting.

Condensed Statement of Comprehensive Income

Unit: NT\$ thousand

Item	Fiscal Year	Financial Information for Most Recent 5 Fiscal Years (Note1)				
		2018	2019	2020	2021	2022 (Note2)
Operating revenue		278,407,555	249,384,126	265,436,103	334,328,350	199,721,875
Gross profit		18,005,702	(5,413,355)	14,983,862	80,521,187	(17,010,003)
Operating income (loss)		356,315	(22,891,507)	(1,628,571)	59,312,062	(32,727,348)
Non-operating income and expenses		3,872,395	5,076,526	3,630,908	1,713,979	4,872,491
Profit Before Income Tax		4,228,710	(17,814,981)	2,002,337	61,026,041	(27,854,857)
Net income for the period from continuing operations		2,222,762	(17,442,990)	1,636,144	57,534,461	(27,990,256)
Loss from discontinued operations		—	—	—	—	—
Net income (loss) for the period		2,222,762	(17,442,990)	1,636,144	57,534,461	(27,990,256)
Other comprehensive income (loss) for the period (net of Income Tax)		(3,596,644)	(2,708,571)	1,548,003	2,813,195	(2,184,696)
Total comprehensive income for the period		(1,373,882)	(20,151,561)	3,184,147	60,347,656	(30,174,952)
Net income attributable to owners of parent		2,222,762	(17,442,990)	1,636,144	57,534,461	(27,990,256)
Net income (loss) attributable to non-controlling interests		—	—	—	—	—
Total comprehensive income attributable to owners of parent		(1,373,882)	(20,151,561)	3,184,147	60,347,656	(30,174,952)
Total comprehensive income, attributable to non-controlling interests		—	—	—	—	—
Earnings per share		0.22	(1.77)	0.17	5.53	(2.76)

Note 1: Financial summary for the last four years audited and certified by CPAs.

Note 2: Pending the resolution by the shareholders' meeting.

6.1.2 CPA name and Audit Opinions of the Last 5 Years

Year	CPA	Opinion Content
2018	Han-Chi Wu & Hua-Ling Liang	Unqualified opinion
2019	Han-Chi Wu & Hua-Ling Liang	Unqualified opinion
2020	Sheng-Chung Hsu & Hua-Ling Liang	Unqualified opinion
2021	Sheng-Chung Hsu & Hua-Ling Liang	Unqualified opinion
2022	Sheng-Chung Hsu & Hua-Ling Liang	Unqualified opinion

6.1.3 If there was change/replacement of the CPA within the most recent 5 fiscal years, explanation made by the Company's previous and current CPA over the causes for such change/replacement shall be set forth:

Year	Former CPA's Name	Current CPA's Name	Reason
2018	Han-Chi Wu & Sheng-Chung Hsu	Han-Chi Wu & Hua-Ling Liang	Internal adjustment of the accounting firm
2019	None		
2020	Han-Chi Wu & Hua-Ling Liang	Sheng-Chung Hsu & Hua-Ling Liang	Internal adjustment of the accounting firm
2021	None		
2022	None		

6.2 Five Years Financial Analysis

Consolidated Financial Analysis

Item		Fiscal Year (Note 1)				
		Financial Information for the Most Recent 5 Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to asset ratio	38.10	37.23	37.41	34.81	34.07
	Ratio of long-term capital to property, plant and equipment	141.15	129.16	146.59	209.21	179.28
Solvency (%)	Current ratio	141.12	120.12	145.79	150.85	178.27
	Quick ratio	113.81	88.51	114.66	114.28	137.64
	Time interest earned	12.59	(15.02)	3.49	64.88	(27.64)
Operating performance	Accounts receivable turnover(times)	5.13	5.46	5.69	6.12	4.66
	Average collection days	71	67	64	60	78
	Inventory turnover(times)	7.69	7.58	7.50	7.05	5.86
	Accounts payable turnover (times)	4.66	4.68	4.97	5.07	5.05
	Average days in sales	47	48	49	52	62
	Property, plant and equipment turnover(times)	1.31	1.24	1.40	1.99	1.36
	Total assets turnover (times)	0.68	0.64	0.72	0.83	0.53
Profitability	Return on total assets (%)	0.64	(4.25)	0.66	13.77	(6.39)
	Return on equity (%)	0.86	(7.16)	0.70	21.22	(10.01)
	Ratio of income before tax to paid-in capital (%)	6.60	(17.02)	2.57	59.10	(27.44)
	Net profit margin (%)	0.80	(6.92)	0.61	16.44	(12.48)
	Earnings per share (NT\$)	0.22	(1.77)	0.17	5.53	(2.76)
Cash flow	Cash flow ratio (%)	43.72	12.48	20.52	87.30	(2.14)
	Cash flow adequacy ratio (%)	187.54	135.92	110.77	129.26	89.50
	Cash reinvestment ratio (%)	5.22	1.56	2.41	9.79	(1.36)
Leverage	Operating leverage	10.13	—	24.87	1.78	—
	Financial leverage	1.13	—	2.31	1.02	—

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%)

1. Quick Ratio increase: mainly due to the significant decrease in current liabilities in 2022, compared with 2021.
2. Time interest earned and each profitability ratio decrease: mainly due to the gross loss in 2022, compared with 2021.
3. Accounts receivable turnover (times), ratio of long-term capital to property, plant and equipment and return on total assets decrease: mainly due to the significant decrease in operating revenue in 2022, compared with 2021.
4. The ratios of cash flow decrease: mainly due to net cash outflow in operating activities in 2022, compared with 2021.

Note 1: Financial data for the last five years were audited and attested by CPAs.

Note 2: Formulas for the calculation of the financial ratios

1. Financial structure

(1)Debt to assets ratio = total liabilities / total assets.

(2)Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net

property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

(2) Average collection days = 365 / accounts receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).

(5) Average days in sales = 365 / inventory turnover.

(6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.

(7) Total asset turnover = net sales / average total assets.

4. Profitability

(1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.

(2) Return on equity = net income after tax / average total equity.

(3) Net profit margin = net income after tax / net sales.

(4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash flow

(1) Cash flow ratio = net cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).

(3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage:

(1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.

(2) Financial leverage = operating income / (operating income - interest expenses).

Financial Analysis

Fiscal Year (Note 1)		Financial Information for the Most Recent 5 Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to asset ratio	41.82	41.10	41.35	33.00	32.51
	Ratio of long-term capital to property, plant and equipment	165.43	152.53	177.10	261.76	227.74
Solvency (%)	Current ratio	101.76	81.79	101.11	139.39	147.47
	Quick ratio	83.01	60.16	80.72	108.96	118.03
	Time interest earned	8.47	(16.33)	2.95	62.24	(30.21)
Operating performance	Accounts receivable turnover(times)	5.77	5.69	5.79	5.83	4.00
	Average collection days	63	64	63	63	91
	Inventory turnover(times)	9.28	8.95	8.97	8.98	8.12
	Accounts payable turnover (times)	3.19	2.90	3.15	4.25	5.42
	Average days in sales	39	41	41	41	45
	Property, plant and equipment turnover(times)	1.51	1.47	1.70	2.40	1.55
	Total assets turnover (times)	0.64	0.60	0.66	0.78	0.48
Profitability	Return on total assets (%)	0.62	(3.99)	0.61	13.58	(6.59)
	Return on equity (%)	0.86	(7.16)	0.70	21.24	(10.05)
	Ratio of income before tax to paid-in capital (%)	4.25	(18.35)	2.01	57.79	(29.15)
	Net profit margin (%)	0.80	(6.99)	0.62	17.21	(14.01)
	Earnings per share (NT\$)	0.22	(1.77)	0.17	5.53	(2.76)
Cash flow	Cash flow ratio (%)	34.02	5.79	5.91	62.41	8.80
	Cash flow adequacy ratio (%)	174.92	122.84	107.31	121.46	79.48
	Cash reinvestment ratio (%)	5.22	0.92	0.84	6.09	(0.46)
Leverage	Operating leverage	118.97	—	—	1.74	—
	Financial leverage	—	—	—	1.02	—

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%)

1. Time interest earned and each profitability ratio decrease: mainly due to the gross loss in 2022, compared with 2021.
2. Accounts receivable turnover (times), ratio of long-term capital to property, plant and equipment and return on total assets decrease: mainly due to the significant decrease in operating revenue in 2022, compared with 2021.
3. Average collection days increases: mainly due to the decrease in operating revenue in 2022.
4. Accounts payable turnover increase: mainly due to the decrease in accounts payable (including related parties) in 2022, compared with 2021.
5. The ratios of cash flow decrease: mainly due to the decrease in net cash inflow in operating activities in 2022, compared with 2021.
6. Operating leverage and financial leverage: mainly due to losses in 2022.

Note 1: Financial data for the last five years were audited and attested by CPAs.

Note 2: Formulas for the calculation of the financial ratios

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

(2) Average collection days = 365 / accounts receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable)

arising from business activities).

(5) Average days in sales = $365 / \text{inventory turnover}$.

(6) Property, plant and equipment turnover = $\text{net sales} / \text{average net property, plant and equipment}$.

(7) Total asset turnover = $\text{net sales} / \text{average total assets}$.

4. Profitability

(1) Return on total assets = $(\text{net income} + \text{interest expenses} * (1 - \text{effective tax rate})) / \text{average total assets}$.

(2) Return on equity = $\text{net income after tax} / \text{average total equity}$.

(3) Net profit margin = $\text{net income after tax} / \text{net sales}$.

(4) Earnings per share = $(\text{income attributable to owners of parent} - \text{preferred stock dividends}) / \text{weighted average number of shares outstanding}$.

5. Cash flow

(1) Cash flow ratio = $\text{net cash flows from operating activities} / \text{current liabilities}$.

(2) Net cash flow adequacy ratio = $5\text{-year sum of net cash flow from operating activities} / 5\text{-year sum of (capital expenditures} + \text{increases in inventory} + \text{cash dividends})$.

(3) Cash reinvestment ratio = $(\text{cash from operating activities} - \text{cash dividends}) / (\text{gross property, plant and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$.

6. Leverage:

(1) Operating leverage = $(\text{net operating revenue} - \text{variable operating costs and expenses}) / \text{operating income}$.

(2) Financial leverage = $\text{operating income} / (\text{operating income} - \text{interest expenses})$.

6.3 Audit Committee Review Report

Audit Committee Review Report

The Board of Directors has duly submitted the 2022 business report, financial statements, and the proposal of profit and loss appropriation. The financial statements has been duly reviewed and approved by CPAs of PwC Taiwan with the issuance of Independent 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 business report, financial statements, and the proposal of profit and loss appropriation. Therefore, I issue this audit report for acknowledgment in accordance with the Securities and Exchange Act and the Company Act.

To

Annual Shareholders' Meeting of the Company in 2023

Convener of the Audit Committee
Hsieh, Chi-Chia
Date: April 18, 2023

- 6.4 Financial Statements and Independent Auditors' Report for the Most Recent Year: Please refer to page 151 of the annual report.**
- 6.5 Parent Company only Financial Statements and Independent Auditors' Report for the Most Recent Year: Please refer to page 237 of the annual report.**
- 6.6 Disclosure of Impact on Company's Financial Status Due to Financial Difficulties: None.**

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Positions

Unit: NT\$ thousand

Fiscal Year Items	2021	2022	Difference Amount	Percentage (%)	Note
Current assets	175,821,223	165,301,665	(10,519,558)	(5.98)	—
Property, Plant and Equipment	162,607,908	157,533,518	(5,074,390)	(3.12)	—
Intangible assets	17,520,594	17,511,360	(9,234)	(0.05)	—
Other non-current assets	111,569,865	43,394,953	(68,174,912)	(61.11)	1
Total assets	467,519,590	383,741,496	(83,778,094)	(17.92)	—
Current liabilities	116,553,507	92,723,013	(23,830,494)	(20.45)	2
Other non-current liabilities	46,169,152	38,023,763	(8,145,389)	(17.64)	—
Total liabilities	162,722,659	130,746,776	(31,975,883)	(19.65)	—
Capital stock	105,596,201	95,564,562	(10,031,639)	(9.50)	—
Capital surplus	103,287,482	103,312,414	24,932	0.02	—
Retained earnings	98,667,853	59,766,316	(38,901,537)	(39.43)	3
Other equity	(3,204,136)	(5,565,152)	(2,361,016)	(73.69)	4
Treasury shares	—	(602,916)	(602,916)	100.00	5
Non-controlling equity	449,531	519,496	69,965	15.56	—
Total equity	304,796,931	252,994,720	(51,802,211)	(17.00)	—

Note: Analysis will be conducted only for major changes, namely, the change in financial ratios reaches 20% and the amount exceeds NT\$ 30,000,000.

Analysis of changes in financial ratios:

1. Mainly due to the decrease in financial assets at amortized cost - non-current this year.
2. Mainly due to the decrease in accounts payable and other payables.
3. Mainly due to the net loss this year.
4. Mainly due to the decrease in unrealized gain on the financial assets at fair value through other comprehensive income in 2022.
5. Mainly due to the share repurchase as to transfer to employees.

7.2 Analysis of Financial Performance

Unit: NT\$ thousand

Items \ Fiscal Year	2021	2022	Difference Amount	Percentage (%)	Note
Operating revenue	350,076,690	223,715,758	(126,360,932)	(36.10)	1
Operating costs	258,577,010	230,621,530	(27,955,480)	(10.81)	—
Gross profit (loss)	91,499,680	(6,905,772)	(98,405,452)	(107.55)	1
Operating expenses	28,786,605	24,759,226	(4,027,379)	(13.99)	—
Operating income	62,713,075	(31,664,998)	(94,378,073)	(150.49)	2
Non-operating income and expenses	(301,978)	5,442,545	5,744,523	(1,902.30)	3
Profit before income tax	62,411,097	(26,222,453)	(88,633,550)	(142.02)	4
Income tax expense	4,865,974	1,692,323	(3,173,651)	(65.22)	5
Net income (loss)	57,545,123	(27,914,776)	(85,459,899)	(148.51)	5
Other comprehensive income (loss)(net of income tax)	2,811,713	(2,182,942)	(4,994,655)	(177.64)	6
Total comprehensive income for the period	60,356,836	(30,097,718)	(90,454,554)	(149.87)	7

Note: Analysis will be conducted only for major changes, namely, the change in financial ratios reaches 20% and the amount exceeds NT\$ 30,000,000.

Analysis of changes in financial ratios:

1. Mainly due to the fact that the fluctuation of the industry, changes of the market demand and price, resulting in a decrease in sales revenue and gross profit.
2. Mainly due caused by the gross loss this year.
3. Mainly due to the increase in other revenue.
4. Mainly due to the decrease in operating income.
5. Mainly due to decrease in profit before income tax.
6. Mainly due to decrease of unrealized gains (losses) on equity instrument investments measured at fair value through other comprehensive income.
7. Mainly caused by the net loss this year.

7.3 Analysis of Cash Flow

7.3.1 Cash flow changes for the most recent fiscal year

Unit: NT\$ thousand

Items \ Fiscal Year	2022	Analysis
Cash outflow from operating activities	(1,983,093)	The net cash outflow was mainly due to net loss and payments for operating related goods.
Cash inflow from investing activities	73,301,769	The net cash inflow was mainly due to the disposal of financial assets at amortized cost and financial assets at fair value through other comprehensive income
Cash outflow from financing activities	(31,863,462)	Mainly due to the distribution of cash dividends, the refund of cash capital reduction and the repayment of long-term loans.

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousand

Estimated Cash and Cash Equivalents, Beginning of Year(1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plan	Financing Plan
58,180,000	20,543,000	32,548,000	46,175,000	—	—
Analysis of cash flow changes for 2023: Operating activities: The net cash inflow was due to the Company continuously optimize product portfolio and adjust cost structure. Investing activities: The net cash outflow was mainly due to the continuing investment in new technology. Financing activities: The net cash inflow was mainly due to appropriation and repayment of bank loans. Leverage of Cash Surplus (Deficit): None.					

7.4 Effect upon Financial Operations of Major Capital Expenditures

The Company's 2022 annual capital expenditure, it mainly consists of automotive/profile/curvature manufacturing process, high precision production with wide viewing angle/machine module line, automation and efficiency upgrade, yield quality improvement, new technology manufacturing process (Micro-LED/Mini-LED/Sensor/Liquid crystal antenna/E paper), TV high-precision 8K large-size production capacity, and green energy environmental protection, and information security, the actual capital expenditure is about NT\$ 21,048,162 thousand. It will help the Company's revenue growth and profit improvement in 2023.

7.5 Reinvestment Policy and its Main Reasons for Profits/Losses, Plans for Improving Reinvestment Profitability and the Investment Plans for the Coming Year

In terms of outward investment, the Company focused on the up- and down-streams of TFT-LCD industries to assure effective vertical integration as the final objectives. Given the worsening fluctuation of display industry and the mature development of the industrial chains, the Company held a policy of being increasingly conservative. Other than the efforts we try to refrain from investing toward the businesses irrelevant to the Company's principal business, the Company disposed non-core investment and investment insignificant in strategies. The Company will cooperate with the group's overall investment plan and make the most appropriate use of resources in the future.

In the consolidated financial report of the Company in 2022, the investment loss recognized in equity method came to NT\$ 9,947 thousand, which was mainly due to the COVID-19, Russia-Ukraine Conflict, high inflation and inventory adjustments by customers, resulting in a downturn in the industry and affecting the profitability of the Company. Overall, the performance with the Company's outward reinvestments have been well up to our expectation and have been continually integrated with our business development.

7.6 Analysis of Risk Management

7.6.1 The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

1. Change in interest rate

In order to avoid fluctuations caused by changes in interest rates, resulting in rising or falling interest rates and thus affecting the increase or decrease of income or expenses, the principles of capital allocation are primarily conservative, stable and liquidity to ensure the safety of principal and liquidity.

2. Change in Foreign exchange rates

- (1) To prevent a potential disadvantage to the foreign currencies in input, output, investment and financing activities to the Company's assets, liabilities values, operating results due to fluctuation in exchange rates,

the Company, in due time, would undertake forward foreign exchange to evade potential risks in fluctuation in exchange rates.

(2) The Company evades exchange rate risks by obtaining financial products with a simple structure and liquidity. The trading party are mainly financial institutions.

(3) In the Company, majority the operating revenues came from US Dollars and other foreign currencies. For capital expenditures and manufacturing costs, the primary demand for foreign currencies came from US Dollars and Japanese yen. Any unfavorable significant change in exchange rate would lead to a passive impact upon the financial profit and/or loss.

3. Inflation or deflation

Since middle of 2022, with the decline in prices of international crude oils and grains and the slowdown in domestic food price inflation, the annual growth rate of the domestic CPI tends to decrease, but the annual growth rate of the core CPI is still high. Looking forward in 2023, the bottleneck in the global supply chain is expected to ease, and the annual growth rate of CPI in Taiwan is expected to fall next year. To prevent potential impact on the negative aspect from high-speed inflation which would, in turn, dampen investment, consumption and savings, the communications has tried by all means of lower various costs to enhance competitive edge and would be closely watchful the change in the supply and demand in the market, to flexibly adjust product portfolio to closely live up to actual demand in the market.

7.6.2 The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

1. The Company had not engaged in highly risky and high financial leverage investment. Exactly as required by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan and the laws and ordinances concerned, we have set up wholesome financial and operating grounds in the managerial regulations and operating procedures, including “Policies and Procedures for Financial Derivatives Transactions”, “Procedures for Loaning of Funds to Others”, “Procedures for Acquisition or Disposal of Assets” and “Procedures for Endorsement & Guarantee”.
2. In an attempt to control potential risks in finance, we hold a very wholesome and conservative principle in derivative financial instruments to primarily evade the potential risks of the exchange rates in the substantial positions incurred by input, output and financing activities. In the days and years ahead, we shall stick to such same principle to coordinate with the trends of exchange rates and interest rates as well as the Company’s business operation, we shall adjust the financial risk management in real time in accordance with laws and ordinances concerned, internal managerial rule and operating procedures.

7.6.3 Future Research & Development Work and Expenditures

The Company’s future technology development continues to be in the field of display applications. Mainly wide viewing angle TFT LCD display technology to improve the contrast and color of TFT LCD large viewing angle; high transmittance to improve the optical utilization of display; Mega Zone, Mini-LED technology to improve the color saturation, brightness and contrast; TFT LCD module technology with thin and narrow frame/frameless for display panel; continuous improvement with high resolution, high brightness, wide temperature and low energy consumption technology; endeavor to develop high-end technologies such as Privacy, Mirco-LED, etc. to continuously lead TFT-LCD in new field applications; simultaneous construction of back-end high-precision module lines, intelligent logistics, automatic inspection and production automation. In addition, we will also strengthen the development of new products and new technologies (PLP advanced encapsulation process/Sensor/Liquid crystal antenna/Epaper) and solar power systems to achieve net zero carbon reduction goal. The Company’s research and development expenditure in 2022 is NT\$13,045,403 thousand. In 2023, the Company expects to invest another R&D fee of NT\$ 14.9 billion. However, it will adjust according to the global market conditions and actual operating conditions, and continue to maintain its leading edge in technological development.

7.6.4 Effects of and Response to Changes in Policies and Legal Environment at Home and Abroad Relating to Financial Operations

As of the Annual Report’s publication date, there has been no adversely impact on financial or business due to any policy and Act changed. All the Company’s teammates would be closely watchful of potential changes in major policies and laws and ordinances concerned at home and abroad and set up legal personnel to help such issues. Through such efforts, we shall be able to take right countermeasures in real-time to minimize the potential impact upon the Company’s financial standing which might be incurred by major policies at home and abroad and change in laws.

7.6.5 Effects of and Response to Changes in Science and Technology (including Cyber Security Risks) and the Industry Relating to Financial Operations

1. Technology Change

The TFT-LCD industry is challenged by the constantly upgraded know-how and new products while the mainstream products are being replaced by new generation at a quickening pace. Should we fail to deal with the impact incurred by the change in science and technology that would be an impact upon the business and financial standing on the seamy sides. Since the Company first came into being, we have spared no effort to accumulate the technical capability of TFT-LCD displays to deal with the impact incurred by the change in science and technology. Other than investment in high level research & development toward high display quality, high solution, broad vision angles, high open rates, quick response, thin and light designs, narrow frames, ultra energy conservation, flexible display and such technology & know-how, we have, as well, tried to develop low temperature LTPS, Oxide, Mini LED, and organic lighting display OLED and such technology & know-how to assure firm competitive edge and effective growth in the Company’s business and financial standing.

2. Industry Change

TFT-LCD features high economic cycle and drastic fluctuation. Any sort of economic trend drops, competitor dynamics, and changes in end-user demand all might lead to a shock to the Company’s business operation on the seamy side. Here at the Company, all our teammates would be closely watchful of fluctuation that might hit the Company into passive aspect and work out sound countermeasures beforehand. In terms of financial operation, we adopt sound and stable financial operation to deal with potential fluctuation in the businesses.

3. Cyber security risk

“Digital transformation starts with information security”. In response to the wave of digital transformation, the Company has accelerated the transformation of IT application services and started to implement the SECPAAS information security maturity assessment by ITRI in 2020 to enhance the energy and overall maturity of information security in different aspects to prevent and reduce the impact of information security incidents; the information security maturity rating also improved from 72 in 2020 to 82 in 2021, and to 91 (Level A) in the fourth quarter of 2022.

The actual results of promoting of information security implementation are as follows:

Item	Contents
Structure of Defense	<ol style="list-style-type: none"> 1. To avoid hacker attacks, invest the construction of DDoS defense architecture. 2. Prevent the intrusion of ransomware and install endpoint protection software on important equipment in the computer room to prevent unknown file program attacks. 3. Utilize “email source verification mechanism” and purchase additional “email gateway anti-attack protection system” to optimize spam blocking mechanism and prevent infiltration of unknown phishing emails. 4. Upgrade the mail APT protection to enhance the interception capability against phishing and malicious mails.

Item	Contents
	<ol style="list-style-type: none"> 5. Build information security threat detection and alarm mechanism to reduce the risk of unauthorized use, destruction or leakage of information. 6. Continuously strengthen information security protection detection in DMZ. 7. Build and optimize SIEM of the information security intelligence platform. 8. Strengthen the detection score of external information security risk exposure platforms. 9. Implement source code inspection mechanism before system programs go online. 10. Implemented container vulnerability scanning mechanism. 11. Build a global threat information platform to block malicious connection traffic. 12. Plan and build web application firewall defense to prevent malicious attacks against websites. 13. Plan and build a file cleaning system to filter suspicious and viral files from entering the Company.
Cyber Security Governance and Advocacy	<ol style="list-style-type: none"> 1. Strengthen employees' information security awareness through the boot-up promotion platform, screensaver and LCS (Learning and Certification System). 2. Organize Month of Information Security to perform employee social engineering drills, and raise the email alertness and information security awareness of employees. 3. Since February 2022, we have been publishing "Information Security Newsletter" every week, with a total of 40 copies published.
Cyber security information keeps up with the times	<ol style="list-style-type: none"> 1. Join FIRST, an international information security organization, becoming the first company in the high-tech manufacturing industry. 2. Join TWCERT as member of Information Security alliance, and exchange information with the other alliance members. 3. Join SP-ISAC as member of the Information Security Information Sharing and Analysis Center of Science Park, and exchange information security technology with other organization members. 4. Join Taiwan Information Security Supervisors Alliance and exchange with information security teams of listed companies. 5. Participate in information security training courses at Tainan Shalun Information Security Base organized by Industrial Development Bureau, Ministry of Economic Affairs. 6. Participate in training courses for information security elites organized by the Ministry of Digital Development. 7. Subscribe to domestic and international cyber security organizations to obtain information on hacking attacks in real time.
Grasp information to reduce financial losses	<p>Since 2020, we have been buying the cyber security insurance to prevent financial losses caused by major information security incidents and to protect the rights and interests of customers and investors.</p>
Awards	<ol style="list-style-type: none"> 1. Won the Information Security Leadership Award of the Taiwan Corporate Sustainability Awards (TCSA) in 2022; this is the first year we participate in the award. 2. Participated in the National Information Security Excellence Center Program Construction Plan - Information Security Elite Training Course, and participated in the Taiwan-Japan Cyber Threat Prevention Competition upon completion of the course and won the Gold, Silver, and Bronze awards (top three).

7.6.6 The Impact of Changes in Corporate Image on Crisis Management, and Corresponding Measures

Faithful law compliance, focus on employees' and shareholders' equity represents the very bounden duties to the Company's management. In case of a contingency, the Company's ranking department head would serve as the

emergency convener to immediately set up the Crisis Task Force to defuse the crisis forthwith. As of the Annual Report's publication date, there has been no event that adversely impacts Innolux's corporate image and impacts on corporate risk management.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

At the moment, the Company has no plan to launch a merger with another enterprise. Toward potential strategic investment or vertical integration, and the cost benefit and the potential risk so arising, the Company's management would conduct appropriate evaluation and evasion as appropriate.

7.6.8 Expected Benefits from, Risks Relating to and Response to Plant Expansion Plans

We all have those related technical groups to perform the professional feasibility assessment for expansion and build out of new generation factory.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

There is no risk associated with excessive customer concentration, due to the plenty production line and the main customers are international brand manufacturers. Innolux's usually have two or more suppliers for main material. Therefore, there is no risk associated with excessive concentration of purchasing. We will keep developing new products and new customers in the future and seeking for the better quality and the lower cost of purchase sources to reduce the risk of excessive customer concentration or excessive purchasing concentration.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%

As of the printed date of the annual report, there has been no large share transfers or changes in shareholdings by directors or shareholders with shareholdings of over 10%.

7.6.11 Effects of, Risks Relating to and Response to Changes in Management Rights

As of the printed date of the annual report, there has been no changes in management rights of directors or shareholders with shareholdings of over 10%.

7.6.12 Litigation or Non-litigation Matters

1. The lawsuits, non-contentious cases, administrative litigation that are decided by the court or still in proceeding in the most recent years until this report was issued:
 - (1) The Company's subsidiary in U.S. received a civil complaint from the government of Puerto Rico in September 2018, claiming that the company, together with other defendants of Taiwan, Japan and South Korea TFT-LCD companies, had unjustified enrichment from the TFT-LCD pricing collaborations in 2006 and requested monetary compensation. The U.S. subsidiary of the company has appointed a lawyer to handle the lawsuit. On October 31, 2022, the Court dismissed the plaintiff's lawsuit for failure to actively pursue its claims.
 - (2) BishopDisplayTechLLC ("Bishop") filed a lawsuit with the United States District Court for the Eastern District of Texas on October 3, 2022, alleging that the Company infringed its U.S. patent. The Company had received the lawsuit on October 28, 2022, and subsequently responded to the complaint on January 26, 2023. At present, the case has no impact on the Company's business and finance.
2. List litigious, non-litigious or administrative disputes that: (1) involve any company director, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment in the most recent year and as of the publication date of the annual report, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities: None.

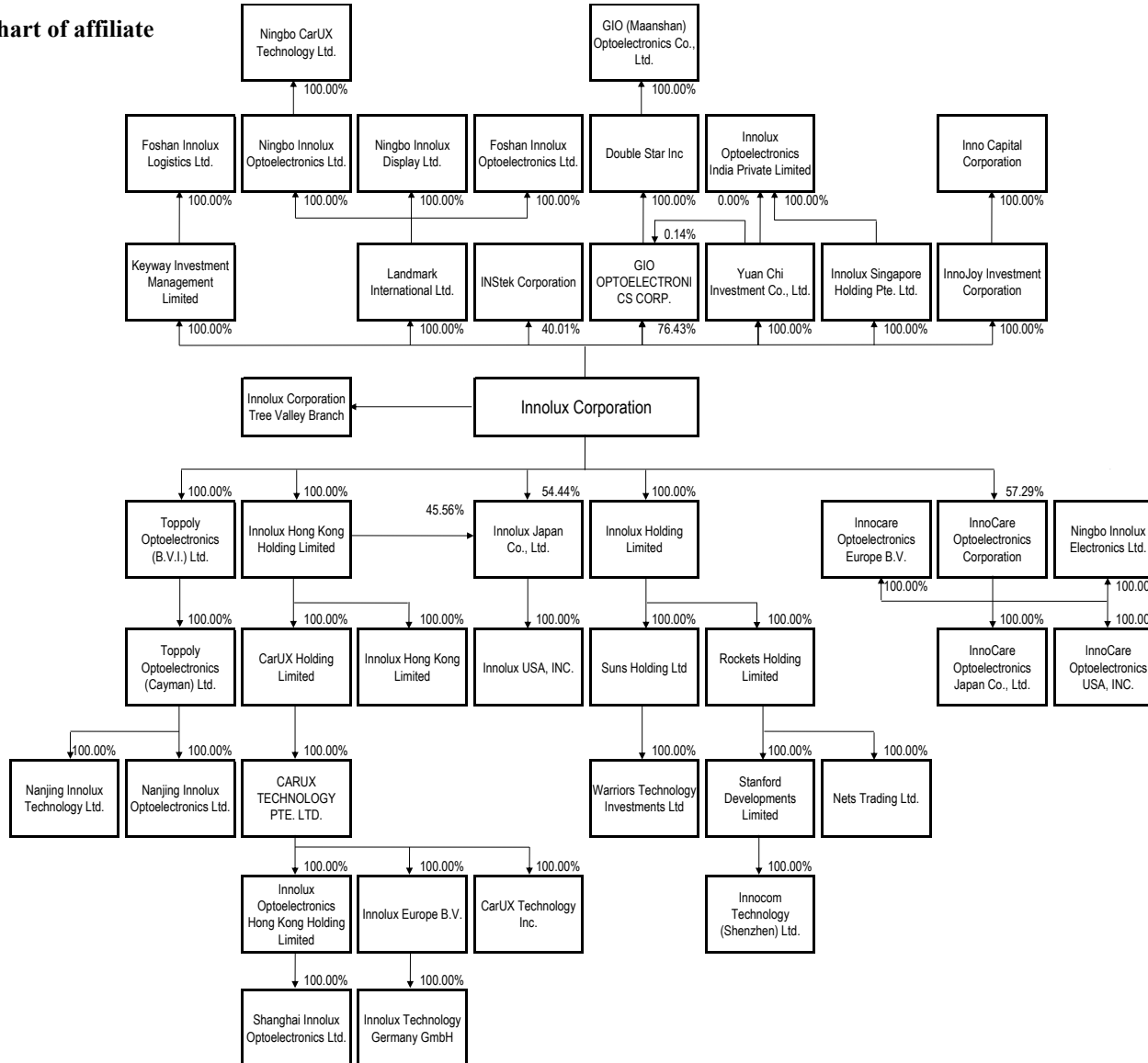
7.6.13 Other Important Risks, and Mitigation Measures: None.

7.7 Other Important Matters: None.

VIII. Special Disclosures

8.1 Summary of Affiliated Companies

8.1.1 Organization chart of affiliate



8.1.2 Basic information of affiliates

Unit: \$; Date: December 31, 2022

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
CarUX Holding Limited	2019.08.23	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands	USD 125,232	Controlling Company
CarUX Technology Pte. Ltd.	2019.10.02	112 ROBINSON ROAD #05-01 ROBINSON 112 SINGAPORE 068902	USD 125,131,749	Controlling and Distribution Company
Double Star Inc.	2009.07.15	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 10,000,000	Controlling Company
Innocare Optoelectronics Europe B.V.	2020.08.11	Stationstraat 39 G, 6411NK Heerlen, The Netherlands	EUR 50,000	Customer services
InnoCare Optoelectronics Japan Co., Ltd.	2019.06.17	210-0024 Kawasaki Nisshincho Building 14F, 7-1 Nisshincho, Kawasaki-ku, Kawasaki-shi, Kanagawa	JPY 300,100,000	X-ray flat panel image sensor
InnoCare Optoelectronics USA, INC.	2018.02.09	101 Metro Drive, Suite 365, San Jose, CA 95110, United States	USD 900,000	X-ray flat panel image sensor
Innolux Europe B.V.	2006.03.08	Stationstraat 39G, 6411NK, Heerlen, The Netherlands	EUR\$3,006,480	Controlling R&D Testing and Distribution Company
Innolux Holding Limited	2002.02.28	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD\$191,927,259	Controlling Company
Innolux Hong Kong Holding Limited	2005.12.14	Unit 2003, 20/F., Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong	HKD\$1,441,092,339	Controlling Company
Innolux Hong Kong Limited	2006.02.15	Unit 2003, 20/F., Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong	HKD\$453,342,352	Broker company
Innolux Japan Co., Ltd.	1991.08.20	8F, kowa kawasaki-nishiguchi Bldg., 66-2 horikawa-cho, Saiwai-ku, Kawasaki-City, Kanagawa 212-0013, Japan	JPY\$314,258,270	Development, manufacture and sale of thin-film transistor LCD
Innolux Optoelectronics Hong Kong Holding Limited	2001.11.16	Unit 2003, 20/F., Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong	HKD\$162,897,802	Controlling Company
Innolux Optoelectronics India Private Limited	2018.03.07	HD-021, WeWork Enam Sambhav, C - 20, G Block Rd, G Block BKC, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra 400051	INR\$ 1,440,955,000	Distribution company
Innolux Singapore Holding Pte. Ltd.	2017.06.28	6 TEMASEK BOULEVARD, #09-05, SUNTEC TOWER FOUR, SINGAPORE (038986)	USD\$25,400,000	Controlling Company
Innolux Technology Germany GmbH	2006.02.17	Kaiserswerther Strasse 115, D-40880 Ratingen, Germany	EUR\$100,000	Testing & Maintenance Company
Innolux USA, INC.	2002.05.09	101 Metro Drive Suite 510, San Jose, CA 95110, United States	USD\$11,842,010	Sales of electronic components and computer displays

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Keyway Investment Management Limited	2005.03.30	Portcullis TrustNet Chambers, P.O Box 1225, Apia, Samoa	USD\$1,656,410	Controlling Company
Landmark International Ltd.	2003.04.24	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD\$709,450,000	Controlling Company
Nets Trading Ltd.	2008.05.02	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD\$900,001	Investment Company
Rockets Holding Limited	2002.12.18	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD\$171,669,290	Controlling Company
Stanford Developments Limited	1999.08.12	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD\$164,000,000	Controlling Company
Suns Holding Ltd.	2006.12.18	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD\$18,177,052	Controlling Company
Toppoly Optoelectronics (B.V.I.) Ltd.	2001.07.17	Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD\$146,847,000	Controlling Company
Toppoly Optoelectronics (Cayman) Ltd.	2001.07.17	Grand Pavilion, Hibiscus Way, 802 West Bay Road, P. O. Box 31119, KY1-1205, Cayman Islands	USD\$146,817,000	Controlling Company
Warriors Technology Investments Ltd.	2007.01.03	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD\$18,177,052	Investment Company
Shanghai Innolux Optoelectronics Ltd.	2006.01.09	No. 272-2, Ba Sheng Road, New Customs, Wai Gao Qiao Free Trade Zone, 200131 Pudong, Shanghai, China	USD\$21,000,000	Manufacturing & selling LCD back-end module related technologies and products.
Yuan Chi investment Co., Ltd	2005.07.06	No.8, Zhongxin Rd., Xinshi Dist., Tainan City 74148, Taiwan (R.O.C.)	NTD\$2,100,000,000	Investment Company
Foshan Innolux Optoelectronics Ltd.	2006.04.21	Xingye North Rd., Foshan Science & Technology Industry Garden, Foshan, Guangdong, 528325, China	USD\$383,000,000	Manufacturing & selling LCD back-end module related technologies and products.
Foshan Innolux Logistics Ltd.	2008.07.17	North Factory, Xingye Rd., Nanhai Economic Zone, Foshan, Guangdong, 528325, China	USD\$1,500,000	Warehousing Company
Nanjing Innolux Technology Ltd.	2007.10.24	No. 93, Fu Cheng West Road, Jiangning Economic and Technical Development Zone, Nanjing, Jiangsu, China	USD\$2,100,000	Business of display and related product.
Nanjing Innolux Optoelectronics Ltd.	2001.05.23	No. 93, Fu Cheng West Road, Jiangning Economic and Technical Development Zone, Nanjing, Jiangsu, China	USD\$156,000,000	Manufacturing & selling LCD back-end module related technologies and products.

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
GIO (Maanshan) Optoelectronics Co., Ltd	2010.09.15	Cihu Economic Development Zone, Ma'anshan City, Anhui, China	USD 10,000,000	Manufacturing Company
GIO Optoelectronics Corp.	2004.04.21	No. 5, Titanggang Rd., Xinshi Dist., Tainan City 744, Taiwan (R.O.C.)	NTD 540,236,110	Manufacture and sale of TFT-LCD related components
InnoJoy Investment Corp.	2007.06.26	No.8, Zhongxin Rd., Xinshi Dist., Tainan City 74148, Taiwan (R.O.C.)	NTD\$1,674,053,920	Investment Company
Innocom Technology (Shenzhen) Ltd.	2004.06.24	1F, Zone 4, G2 Zone 2F A region, 3F, 4F and 5F Foxconn Technology Industrial Park E, Bao'an District, Shenzhen City, Guangdong Province, China	USD\$164,000,000	Manufacturing & selling LCD back-end module related technologies and products.
Inno Capital Corporation	2021.07.28	No.8, Zhongxin Rd., Xinshi Dist., Tainan City 74148, Taiwan (R.O.C.)	NTD 15,000,000	Investment consultant
CarUX Technology Inc.	2019.03.15	Rm. A No. 12, Nanke 8th Rd., Shanhua Dist., Tainan City 741, Taiwan (R.O.C.)	NTD 1,400,000,000	R & D, manufacturing and distribution companies
Ningbo Innolux Electronics Ltd.	2015.11.04	2F, Building 2, No.8, Cao E River Rd., Ningbo Bonded Zone	CNY\$ 15,370,000	Development, manufacture & sales of LCD back-end modules and components
Ningbo Innolux Optoelectronics Co., LTD	2004.12.14	No.16, YangZi River North Rd., Ningbo Export Processing Zone, 315800, China; No. 6, YangZi River South Rd., Ningbo Export Processing Zone, 315800, China	USD\$310,000,000	Manufacturing & selling LCD back-end module related technologies and products.
Ningbo Innolux Display LTD	2006.12.05	No.8, Cao E River Rd., Ningbo Bonded Zone	USD\$160,000,000	Manufacturing & selling LCD back-end module related technologies and products.
Ningbo CarUX Technology Ltd.	2020.03.25	3F, Building 2, No.8, Cao E River Rd., Ningbo Bonded Zone	CNY 280,000,000	Manufacturing & selling LCD back-end module related technologies and products.
InnoCare Optoelectronics Corporation	2019.04.02	Rm. B, No. 2, Sec. 2, Huanxi Rd., Xinshi Dist., Tainan City 744, Taiwan (R.O.C.)	NTD 357,815,500	Controlling, R&D, manufacturing and Distribution company
INStek Corporation	2021.06.07	1F., No. 2, Ln. 258, Sec. 5, Anhe Rd., Annan Dist., Tainan City 709019, Taiwan (R.O.C.)	NTD 66,175,070	Manufacturing of sporting goods

8.1.3 Concluded as the existence of the controlling and Subordinate Relation: None.

8.1.4 Business Scope of INX and its overall affiliated companies:

The Company and its subsidiary operating business include the development, manufacture, after service and sale of TFT-LCD.

By the layout of globalization, combine the distribution of Taiwan and China production base; provide downstream manufacturer or panel module manufacturer to have high flexibility supply capacity.

There are a small number of affiliated companies are setting investment business as operating scope, to strength vertical integration and strategy investment and coordinate the Company's future operation.

8.1.5 Directors, supervisors, and presidents of affiliates

As of December 31, 2022

Name of Company	Title	Name or representative	Shareholding (Shares)	
			Shares	%
CarUX Holding Limited	Director	Jin-Yang Hung	—	100%
	Director	Chu-Hsiang Yang	—	100%
	Director	Ching-Lung Ting	—	100%
CarUX Technology Pte. Ltd.	Director	Ching-Lung Ting	—	100%
	Director	Jin-Yang Hung	—	100%
	Director	Chu-Hsiang Yang	—	100%
	Director	Ngoo Sin Hung Justin	—	100%
Double Star Inc.	Director	Ching-Lung Ting	—	77%
Innocare Optoelectronics Europe B.V.	Director	Lu-Ting Yang	—	57%
InnoCare Optoelectronics Japan Co., Ltd.	Director	Chih-Sheng Lee	—	57%
	Director	Ming-Hsien Sun	—	57%
	Director	Chien-Lang Lo	—	57%
InnoCare Optoelectronics USA, INC.	Director	Ishii Junichi	—	57%
	Director	Chu-Hsiang Yang	—	57%
	Director	Chih-Sheng Lee	—	57%
Innolux Europe B.V.	Director	Tien-Jen Lin	—	100%
	Director	van Riel, Lucien Franciscus Henricus	—	100%
	Director	Jun-Yi Yu	—	100%
Innolux Holding Limited	Director	Jin-Yang Hung	—	100%
Innolux Hong Kong Holding Limited	Director	Jin-Yang Hung	—	100%
	Director	Chao-Hsien Liu	—	100%
	Director	Jun-Yi Yu	—	100%
Innolux Hong Kong Limited	Director	Jin-Yang Hung	—	100%
	Director	Pei-Yu Lu	—	100%
	Director	Rou-Li Cheng	—	100%
Innolux Japan Co., Ltd.	Director	Makoto Kaneta	—	100%
	Director	Chu-Hsiang Yang	—	100%
	Director	Ching-Lung Ting	—	100%
	Supervisor	Jun-Hao Peng	—	100%
	Supervisor	Chin-Yuan Chang	—	100%
Innolux Optoelectronics Hong Kong Holding Ltd.	Director	Jin-Yang Hung	—	100%
	Director	Shu-Mei Ho	—	100%
	Director	Jun-Yi Yu	—	100%
Innolux Optoelectronics India Private Limited	Director	Wen-Hsien Lee	—	100%
	Director	Chien-Hung Liao	—	100%
	Director	Sonu	—	100%
Innolux Singapore Holding Pte. Ltd.	Director	Chu-Hsiang Yang	—	100%
	Director	Chao-Hsien Liu	—	100%
	Director	Tan Sze Lian Celine	—	100%
Innolux Technology Germany GmbH	Director	Tien-Jen Lin	—	100%
	Director	van Riel, Lucien Franciscus Henricus	—	100%
	Director	Adrianus Gosuinus Marie Kersten	—	100%
Innolux USA Inc.	Director	Yu-Hao Wu	—	100%
	Director	Makoto Kaneta	—	100%
	Director	Sato Takahiro	—	100%
Keyway Investment Management Limited	Director	Jin-Yang Hung	—	100%
Landmark International Ltd.	Director	Jin-Yang Hung	—	100%
Nets Trading Ltd.	Director	Kuang-Hsiang Li	—	100%
Rockets Holding Limited	Director	Jin-Yang Hung	—	100%
Stanford Developments Limited	Director	Jin-Yang Hung	—	100%

Name of Company	Title	Name or representative	Shareholding (Shares)	
			Shares	%
Suns Holding Ltd.	Director	Jin-Yang Hung	—	100%
Toppoly Optoelectronics (B.V.I.) Ltd.	Director	Jin-Yang Hung	—	100%
Toppoly Optoelectronics (Cayman) Ltd.	Director	Jin-Yang Hung	—	100%
Warriors Technology Investments Ltd.	Director	Jin-Yang Hung	—	100%
Shanghai Innolux Optoelectronics Ltd.	Chairman	Chih-Yuan Tsai	—	100%
	Director	Jun-Yi Yu	—	100%
	Director	Chin-Yuan Chang	—	100%
Yuan Chi investment Co., Ltd	Chairman	Innolux Corporation	—	100%
		Representative: Jin-Yang Hung	—	—
	Director	Innolux Corporation	—	100%
		Representative: Chu-Hsiang Yang	—	—
Director	Innolux Corporation	—	100%	
	Representative: Chien-Lang Lo	—	—	
Foshan Innolux Optoelectronics Ltd.	Chairman	Ching-Hui Lin	—	100%
	Director	Hsiao-Min Ouyang	—	100%
	Director	Jun-Yi Yu	—	100%
	Supervisor	Chin-Yuan Chang	—	100%
Foshan Innolux Logistics Ltd.	Chairman	Ching-Hui Lin	—	100%
	Director	Chiung Ku	—	100%
	Director	Ai-Chun Wang	—	100%
	Supervisor	Chin-Yuan Chang	—	100%
Nanjing Innolux Technology Ltd.	Chairman	Chih-Hsien Hsu	—	100%
	Director	Chin-Yuan Chang	—	100%
	Director	Chih-Chiang Lu	—	100%
	Supervisor	Kun Ma	—	100%
Nanjing Innolux Optoelectronics Ltd.	Chairman	Chih-Hsien Hsu	—	100%
	Director	Jun-Yi Yu	—	100%
	Director	Chin-Yuan Chang	—	100%
	Supervisor	Kun Ma	—	100%
GIO (Maanshan) Optoelectronics Co., Ltd	Chairman	Cheng-Che Pan	—	77%
	Director	Min-Chih Fan	—	77%
	Director	Chi-Chih Hsu	—	77%
	Supervisor	Yu-Yuan Huang	—	77%
GIO Optoelectronics Corp.	Chairman	Innolux Corporation	41,288,528	77%
		Representative: Ching-Lung Ting	326,529	1%
	Director	Innolux Corporation	41,288,528	77%
		Representative: Chu-Hsiang Yang	4,879	—
	Supervisor	Chao-Hsien Liu	—	—
InnoJoy Investment Corp.	Chairman	Innolux Corporation	167,405,392	100%
		Representative: Jin-Yang Hung	—	—
	Director	Innolux Corporation	167,405,392	100%
		Representative: Chu-Hsiang Yang	—	—
	Director	Innolux Corporation	167,405,392	100%
		Representative: Chao-Hsien Liu	—	—
Supervisor	Innolux Corporation	167,405,392	100%	
Innocom Technology (Shenzhen) Ltd.	Chairman	Jen-Yung Chang	—	100%
	Director	Jun-Yi Yu	—	100%
	Director	Chin-Yuan Chang	—	100%
Inno Capital Corporation	Chairman	InnoJoy Investment Corp.	1,500,000	100%
		Representative: Li-Wei Hsu	—	—
	Supervisor	InnoJoy Investment Corp.	1,500,000	100%
		Representative: Chao-Hsien Liu	—	—

Name of Company	Title	Name or representative	Shareholding (Shares)	
			Shares	%
CarUX Technology Inc.	Chairman	CarUX Technology Pte. Ltd.	140,000,000	100%
		Representative: Ching-Lung Ting	—	—
	Director	CarUX Technology Pte. Ltd.	140,000,000	100%
		Representative: Chu-Hsiang Yang	—	—
	Director	CarUX Technology Pte. Ltd.	140,000,000	100%
		Representative: Chin-Yang Hung	—	—
Supervisor	CarUX Technology Pte. Ltd.	140,000,000	100%	
	Representative: Chao-Hsien Liu	—	—	
Ningbo Innolux Electronics Ltd.	Chairman	Chih-Sheng Lee	—	57%
	Supervisor	Chung-Wei Huang	—	57%
Ningbo Innolux Optoelectronics Co., LTD	Chairman	Chung-Hsin Ho	—	100%
	Director	Jun-Yi Yu	—	100%
	Director	Chien-Lang Lo	—	100%
	Supervisor	Chin-Yuan Chang	—	100%
Ningbo Innolux Display LTD	Chairman	Cheng Yin Hsu	—	100%
	Director	Chien-Lang Lo	—	100%
	Director	Kun Ma	—	100%
	Supervisor	Chin-Yuan Chang	—	100%
Ningbo CarUX Technology Ltd.	Chairman	Kuo-Hsiang Kuo	—	100%
	Director	Chu-Hsiang Yang	—	100%
	Director	Jun-Yi Yu	—	100%
	Supervisor	Kun Ma	—	100%
InnoCare Optoelectronics Corporation	Chairman	Innolux Corporation	20,500,000	57%
		Representative: Chu-Hsiang Yang	294,888	1%
	Director	Innolux Corporation	20,500,000	57%
		Representative: Tien-Jen Lin	4,000	—
	Director	Jyh-Chau Wang	24,838	—
	Director	Ta-Lun Huang	—	—
	Independent Director	Hung-Chi Li	—	—
Independent Director	Chi-Tsung Huang	—	—	
INStek Corporation	Chairman	Innolux Corporation	2,647,507	40%
		Representative: Yu-Shui Kuo	—	—
	Director	Innolux Corporation	2,647,507	40%
		Representative: Chu-Hsiang Yang	—	—
	Director	Innolux Corporation	2,647,507	40%
		Representative: Chih-Hsuan Wang	—	—
	Director	LIEN YU Company Limited	3,970,000	60%
		Representative: Chih-Yung Hsu	—	—
	Director	LIEN YU Company Limited	3,970,000	60%
		Representative: Ching-I Lin	—	—
Supervisor	Chao-Hsien Liu	—	—	
Supervisor	Yi-Ming Huang	—	—	

8.1.6 Overview of subsidiaries' operations

Unit: NT\$ thousand, December, 31, 2022

Company Name	Paid-in Capital	Total assets	Total liabilities	Net Worth	Revenue	Profit (Loss) from Operation	Profit (Loss) for the year(After Tax)	Earnings Per Share(Loss) (After Tax)
CarUX Holding Limited	3,845,867	1,610,134	646	1,609,488	—	(1,214)	(1,263,066)	(10.09)
CarUX Technology Pte. Ltd.	3,842,796	18,359,108	16,751,041	1,608,067	32,722,688	(3,232,110)	(1,261,879)	(10.08)
Double Star Inc.	307,100	103,289	—	103,289	—	—	3,840	0.38
Innocare Optoelectronics Europe B.V.	1,636	3,954	1,236	2,718	14,000	755	640	1,280.01
InnoCare Optoelectronics Japan Co., Ltd.	69,743	509,717	409,894	99,823	1,632,186	25,085	25,604	853.19
InnoCare Optoelectronics USA, INC.	27,639	115,128	75,940	39,188	470,367	6,553	3,783	4.20
Innolux Europe B.V.	98,372	673,654	178,564	495,090	846,588	49,740	41,111	109.39
Innolux Holding Ltd.	5,894,086	18,569,845	—	18,569,845	—	—	262,774	1.46
Innolux Hong Kong Holding Limited	5,675,022	6,784,892	1,701,523	5,083,369	—	(183)	(1,158,721)	(1.00)
Innolux Hong Kong Limited	1,785,262	1,712,946	826	1,712,120	(4,808)	(1,558)	(1,866)	(0.05)
Innolux Japan Co., Ltd.	73,034	4,001,458	137,242	3,864,216	493,046	16,315	232,217	1,290,093.70
Innolux Optoelectronics Hong Kong Holding Ltd.	641,492	2,247,340	—	2,247,340	—	—	113,615	0.70
Innolux Optoelectronics India Private Limited	534,018	7,036	373	6,663	—	(79,883)	(79,905)	(0.55)
Innolux Singapore Holding Pte. Ltd.	780,034	156,710	485	156,225	—	(2,555)	(83,839)	(3.30)
Innolux Technology Germany GmbH	3,272	52,650	27,360	25,290	37,568	5,489	4,225	42.25
Innolux USA Inc.	363,668	6,156,811	5,025,365	1,131,446	17,964,883	175,171	130,450	10,158.11
Keyway Investment Management Limited	50,868	108,042	—	108,042	—	—	7,553	4.56
Landmark International Ltd.	21,787,210	55,243,844	—	55,243,844	—	—	4,640,996	6.54
Nets Trading Ltd.	27,639	24,172	—	24,172	—	—	(997)	(1.11)
Rockets Holding Ltd.	5,271,964	12,233,230	—	12,233,230	—	—	199,679	1.24
Stanford Developments Ltd.	5,036,440	12,208,921	—	12,208,921	—	—	200,676	1.22
Suns Holding Ltd.	558,217	6,102,541	—	6,102,541	—	—	63,095	3.47
Toppoly Optoelectronics (B.V.I.) Ltd.	4,509,671	6,631,666	—	6,631,666	—	—	347,997	2.37

Company Name	Paid-in Capital	Total assets	Total liabilities	Net Worth	Revenue	Profit (Loss) from Operation	Profit (Loss) for the year(After Tax)	Earnings Per Share(Loss) (After Tax)
Toppoly Optoelectronics (Cayman) Ltd.	4,508,750	6,631,307	—	6,631,307	—	—	347,997	2.37
Warriors Technology Investments Ltd.	558,217	6,102,539	—	6,102,539	—	—	63,095	3.47
Shanghai Innolux Optoelectronics Ltd.	644,910	10,003,160	7,755,820	2,247,340	18,749,498	352,034	113,615	—
Yuan Chi investment Co., Ltd	2,100,000	849,817	591	849,226	—	(263)	(23,718)	—
Foshan Innolux Optoelectronics Ltd.	11,761,930	41,321,480	18,104,588	23,216,892	49,571,615	637,592	828,043	—
Foshan Innolux Logistics Ltd.	46,065	106,621	3,660	102,961	29,933	4,499	7,486	—
Nanjing Innolux Technology Ltd.	64,491	648,108	1,310	646,798	(4,709)	(2,909)	6,570	—
Nanjing Innolux Optoelectronics Ltd.	4,790,760	9,851,849	3,867,361	5,984,488	13,336,549	343,744	341,427	—
GIO (Maanshan) Optoelectronics Co., Ltd	307,100	103,310	—	103,310	—	(250)	3,852	—
GIO Optoelectronics Corp.	540,236	714,474	195,207	519,267	83,177	(51,136)	(20,019)	(0.37)
InnoJoy Investment Corp.	1,674,054	2,310,239	436	2,309,803	—	(244)	62,083	0.37
Innocom Technology (Shenzhen) Ltd.	5,036,440	12,803,859	594,990	12,208,869	341,135	8,320	200,676	—
Inno Capital Corporation	15,000	22,478	5,843	16,635	—	(8,246)	448	0.30
CarUX Technology Inc.	1,400,000	5,119,301	3,177,139	1,942,162	8,203,759	370,553	326,404	2.33
Ningbo Innolux Electronics Ltd.	67,772	213,418	103,433	109,985	322,705	4,994	4,415	—
Ningbo Innolux Optoelectronics Co., LTD	9,520,100	31,523,168	5,903,339	25,619,829	40,041,657	788,358	3,088,258	—
Ningbo Innolux Display LTD	4,913,600	15,849,275	9,358,341	6,490,934	37,873,510	738,266	722,365	—
Ningbo CarUX Technology Ltd.	1,234,632	3,306,333	2,264,093	1,042,240	1,311,065	(22,513)	4,767	—
InnoCare Optoelectronics Corporation	357,816	1,805,397	988,775	816,622	1,658,714	48,894	198,717	5.62
INStek Corporation	66,175	69,434	420	69,014	—	(5,246)	(5,095)	(0.77)

8.1.7 Consolidated Financial Statements of Affiliated Enterprises

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

INNOLUX CORPORATION
Chairman: Jin-Yang Hung
February 14, 2023

8.1.8 Reports on Affiliations: None.

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 Holding or Disposal of Shares in the Company by the Subsidiaries During the Most Recent Years: None.

8.4 Other Matters Required Additional Description: None.

IX. Materially might affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one: None.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Innolux Corporation:

Opinion

We have audited the accompanying consolidated balance sheets of Innolux Corporation and its subsidiaries (the "Group") as at December 31, 2022 and 2021, 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 consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the Other matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, 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 that came into effect 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors (please refer to the Other matter section), 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 Group's 2022 consolidated financial statements. 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 Group for the year ended December 31, 2022 are outlined as follows:

Inventory valuation

Description

The industry is characterized in its significant fluctuations closely in connection with the economic environment. As the technology evolves rapidly, the launch of new products may cause major changes in consumer demand or due to the update of production approach, the existing products may become obsolete or no longer meet market needs. The Group has evaluated the inventory by taking into account of allowance, obsolescence or trivial sales amount and the cost has been written down to the net realizable value. The abovementioned allowance for inventory valuation losses mainly arose 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 prices of related products may have significant fluctuations because of market demand; we consider inventory valuation a key audit matter.

How our audit addressed the matter

We compared financial statements to ascertain the provision policy on allowance for inventory valuation losses has been consistently applied, 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; sampled individual inventory item numbers and checked them against historical data on inventory clearance and discount 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 measures the recoverable amount of the cash generating unit to determine whether goodwill and property, plant and equipment may be impaired based on future cash flows with appropriate discount rates, and future cash flows are estimated based on how assets are utilized, duration years of assets and projected income and expenses in the future. As these estimates, which are uncertain and dependent upon significant judgment from management, involve several assumptions such as determination of discount rates, expected growth rate and

future financial projections, 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 – Reference to the audits of other auditors

We did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method of the Company, which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts and Note 13 included in respect of these subsidiaries and investments accounted for under the equity method, is based solely on the reports of the other auditors. Total assets of these subsidiaries and the balances of these investments accounted for under the equity method included in the Group's consolidated financial statements amounted to NT\$24,559,041 thousand and NT\$17,666,179 thousand, constituting 6.4% and 3.8% of the consolidated total assets of the Group as at December 31, 2022 and 2021, respectively, and sales revenue of these subsidiaries included in the Group's consolidated financial statements amounted to NT\$35,019,337 thousand and NT\$25,269,413 thousand, constituting 15.7% and 7.2% of the consolidated total sales revenue of the Group for the years ended December 31, 2022 and 2021, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of Innolux Corporation as at and for the years ended December 31, 2022 and 2021.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 auditors' 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 auditors' 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 for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

PricewaterhouseCoopers, Taiwan

February 14, 2023

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 independent auditors' report 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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022	December 31, 2021
Current Assets			
1100	Cash and cash equivalents	\$ 68,490,588	\$ 28,667,746
1110	Financial assets at fair value through profit or loss - current	385,503	17,358,003
1136	Financial assets at amortized cost - current	22,238,541	22,633,195
1170	Accounts receivable, net	32,877,767	60,528,170
1180	Accounts receivable, net - related parties	714,522	1,351,375
1200	Other receivables	1,995,830	2,378,705
130X	Inventory	35,917,279	38,278,221
1410	Prepayments	1,757,532	4,345,185
1479	Other current assets	924,103	280,623
11XX	Total current assets	165,301,665	175,821,223
Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	4,841,428	4,326,863
1517	Financial assets at fair value through other comprehensive income - non-current	5,331,006	9,848,126
1535	Financial assets at amortized cost - non-current	2,871,573	74,224,423
1550	Investments accounted for under equity method	1,536,817	1,442,684
1600	Property, plant and equipment	157,533,518	162,607,908
1755	Right-of-use assets	4,789,753	5,146,768
1760	Investment property, net	443,866	471,655
1780	Intangible assets	17,511,360	17,520,594
1840	Deferred income tax assets	3,547,360	3,412,138
1990	Other non-current assets	20,033,150	12,697,208
15XX	Total non-current assets	218,439,831	291,698,367
1XXX	Total assets	\$ 383,741,496	\$ 467,519,590

(Continued)

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022	December 31, 2021
Current Liabilities			
2100	Short-term borrowings	\$ 425,000	\$ —
2120	Financial liabilities at fair value through profit or loss - current	329,181	198,896
2170	Accounts payable	35,612,347	52,321,478
2180	Accounts payable - related parties	1,161,824	2,190,308
2200	Other payables	31,947,840	36,514,228
2230	Current income tax liabilities	2,453,028	2,196,227
2250	Provisions - current	5,668,367	7,541,182
2280	Lease liabilities - current	662,818	639,969
2320	Long-term liabilities, current portion	8,774,740	8,770,385
2399	Other current liabilities	5,687,868	6,180,834
21XX	Total current liabilities	<u>92,723,013</u>	<u>116,553,507</u>
Non-current liabilities			
2540	Long-term borrowings	26,838,109	35,592,540
2570	Deferred income tax liabilities	1,570,091	2,003,404
2580	Lease liabilities - non-current	3,882,389	4,391,331
2600	Other non-current liabilities	5,733,174	4,181,877
25XX	Total non-current liabilities	<u>38,023,763</u>	<u>46,169,152</u>
2XXX	Total liabilities	<u>130,746,776</u>	<u>162,722,659</u>
Equity attributable to owners of the parent			
Share capital			
3110	Common stock	95,564,562	105,596,201
3200	Capital surplus	103,312,414	103,287,482
Retained earnings			
3310	Legal reserve	13,811,763	8,062,551
3320	Special reserve	3,204,136	6,059,671
3350	Unappropriated retained earnings	42,750,417	84,545,631
3400	Other equity interest	(5,565,152)	(3,204,136)
3500	Treasury shares	(602,916)	—
31XX	Equity attributable to owners of the parent	<u>252,475,224</u>	<u>304,347,400</u>
36XX	Non-controlling interests	<u>519,496</u>	<u>449,531</u>
3XXX	Total equity	<u>252,994,720</u>	<u>304,796,931</u>
3X2X	Total liabilities and equity	<u>\$ 383,741,496</u>	<u>\$ 467,519,590</u>

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

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Items	Notes	2022	2021
4000 Sales revenue	6(21) and 7	\$ 223,715,758	\$ 350,076,690
5000 Operating costs	6(6)(26) and 7	(230,621,530)	(258,577,010)
5900 Net operating (loss) margin		<u>(6,905,772)</u>	<u>91,499,680</u>
Operating expenses	6(26)		
6100 Selling expenses		(3,565,393)	(5,417,962)
6200 General and administrative expenses		(8,148,430)	(8,323,993)
6300 Research and development expenses		(13,045,403)	(15,044,650)
6000 Total operating expenses		<u>(24,759,226)</u>	<u>(28,786,605)</u>
6900 Operating (loss) profit		<u>(31,664,998)</u>	<u>62,713,075</u>
Non-operating income and expenses			
7100 Interest income	6(22)	1,589,283	928,364
7010 Other income	6(23)	5,940,109	3,441,361
7020 Other gains and losses	6(24)	(1,161,232)	(3,759,802)
7050 Finance costs	6(25)	(915,668)	(977,035)
7060 Share of (loss) profit of associates and joint ventures accounted for under equity method	6(7)	(9,947)	65,134
7000 Total non-operating income and expenses		<u>5,442,545</u>	<u>(301,978)</u>
7900 (Loss) profit before income tax		<u>(26,222,453)</u>	<u>62,411,097</u>
7950 Income tax expense	6(28)	(1,692,323)	(4,865,974)
8200 (Loss) profit for the year		<u>\$ (27,914,776)</u>	<u>\$ 57,545,123</u>

(Continued)

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Items	Notes	2022	2021
Other comprehensive income (net)			
Components of other comprehensive (loss) income that will not be reclassified to profit or loss			
8311	Remeasurement of defined benefit plans	\$ 220,400	\$ (414,516)
8316	Unrealized (losses) gains on financial assets at fair value through other comprehensive income	(4,581,277)	4,834,177
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	13,499	—
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	474,360	(623,501)
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss	<u>(3,873,018)</u>	<u>3,796,160</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations	1,589,007	(950,206)
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	101,069	(34,241)
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>1,690,076</u>	<u>(984,447)</u>
8300	Other comprehensive (loss) income for the year, net of tax	<u>\$ (2,182,942)</u>	<u>\$ 2,811,713</u>
8500	Total comprehensive (loss) income for the year	<u>\$ (30,097,718)</u>	<u>\$ 60,356,836</u>
(Loss) profit attributable to:			
8610	Owners of the parent	<u>\$ (27,990,256)</u>	<u>\$ 57,534,461</u>
8620	Non-controlling interest	<u>\$ 75,480</u>	<u>\$ 10,662</u>
Other comprehensive (loss) income attributable to:			
8710	Owners of the parent	<u>\$ (30,174,952)</u>	<u>\$ 60,347,656</u>
8720	Non-controlling interest	<u>\$ 77,234</u>	<u>\$ 9,180</u>
(Loss) earnings per share (in dollars)			
9750	Basic (loss) earnings per share	<u>\$ (2.76)</u>	<u>\$ 5.53</u>
9850	Diluted (loss) earnings per share	<u>\$ (2.76)</u>	<u>\$ 5.34</u>

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent												
	Share Capital			Retained Earnings				Other Equity Interest			Non-controlling interests	Total	
	Notes	Common stock	Certificate of entitlement to new shares from convertible bonds	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares			Total
2021													
Balance at January 1		\$ 97,110,720	\$ 2,293,612	\$ 99,707,996	\$ 7,870,713	\$ 7,325,437	\$ 29,120,853	\$ (8,879,169)	\$ 2,819,498	\$ —	\$237,369,660	\$ 197,386	\$237,567,046
Profit for the year		—	—	—	—	—	57,534,461	—	—	—	57,534,461	10,662	57,545,123
Other comprehensive (loss) income for the year	6(20)	—	—	—	—	—	(331,603)	(982,975)	4,127,773	—	2,813,195	(1,482)	2,811,713
Total comprehensive (loss) income		—	—	—	—	—	57,202,858	(982,975)	4,127,773	—	60,347,656	9,180	60,356,836
Appropriation of 2020 earnings:	6(19)												
Legal reserve		—	—	—	191,838	—	(191,838)	—	—	—	—	—	—
Special reserve		—	—	—	—	(1,265,766)	1,265,766	—	—	—	—	—	—
Cash dividends		—	—	—	—	—	(3,141,271)	—	—	—	(3,141,271)	—	(3,141,271)
Cash dividends from capital surplus	6(18)(19)	—	—	(1,047,090)	—	—	—	—	—	—	(1,047,090)	—	(1,047,090)
Recognition of change in equity of associates in proportion to the Group's ownership	6(18)	—	—	1,602	—	—	—	—	—	—	1,602	—	1,602
Conversion of convertible bonds	6(17)(18)	8,485,481	(2,293,612)	4,544,732	—	—	—	—	—	—	10,736,601	—	10,736,601
Recognition of changes in ownership interests in subsidiaries	6(18)	—	—	11,722	—	—	—	—	—	—	11,722	61,097	72,819
Establishment of subsidiaries	4(3)	—	—	(5,300)	—	—	—	—	—	—	(5,300)	45,000	39,700
Difference between consideration and carrying amount of subsidiaries acquired	6(18)	—	—	(364)	—	—	—	—	—	—	(364)	(37,356)	(37,720)
Difference between consideration and carrying amount of subsidiaries disposed	6(18)	—	—	64,494	—	—	—	—	—	—	64,494	176,292	240,786
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)	—	—	—	—	—	289,263	—	(289,263)	—	—	—	—
Decrease in non-controlling interests		—	—	—	—	—	—	—	—	—	—	(2,068)	(2,068)
Others	6(18)	—	—	9,690	—	—	—	—	—	—	9,690	—	9,690
Balance at December 31		<u>\$ 105,596,201</u>	<u>\$ —</u>	<u>\$103,287,482</u>	<u>\$ 8,062,551</u>	<u>\$ 6,059,671</u>	<u>\$ 84,545,631</u>	<u>\$ (9,862,144)</u>	<u>\$ 6,658,008</u>	<u>\$ —</u>	<u>\$304,347,400</u>	<u>\$ 449,531</u>	<u>\$304,796,931</u>
2022													
Balance at January 1		\$ 105,596,201	\$ —	\$103,287,482	\$ 8,062,551	\$ 6,059,671	\$ 84,545,631	\$ (9,862,144)	\$ 6,658,008	\$ —	\$304,347,400	\$ 449,531	\$304,796,931
(Loss) profit for the year		—	—	—	—	—	(27,990,256)	—	—	—	(27,990,256)	75,480	(27,914,776)
Other comprehensive income (loss) for the year	6(20)	—	—	—	—	—	176,320	1,688,322	(4,049,338)	—	(2,184,696)	1,754	(2,182,942)
Total comprehensive income (loss)		—	—	—	—	—	(27,813,936)	1,688,322	(4,049,338)	—	(30,174,952)	77,234	(30,097,718)
Appropriation of 2021 earnings:	6(19)												
Legal reserve		—	—	—	5,749,212	—	(5,749,212)	—	—	—	—	—	—
Special reserve		—	—	—	—	(2,855,535)	2,855,535	—	—	—	—	—	—
Cash dividends		—	—	—	—	—	(11,087,601)	—	—	—	(11,087,601)	—	(11,087,601)
Capital reduction by cash	6(17)	(10,031,639)	—	—	—	—	—	—	—	47,500	(9,984,139)	—	(9,984,139)
Recognition of change in equity of associates in proportion to the Group's ownership	6(18)	—	—	247	—	—	—	—	—	—	247	—	247
Recognition of changes in ownership interests in subsidiaries	6(18)	—	—	10,169	—	—	—	—	—	—	10,169	8,664	18,833
Purchase of treasury shares	6(17)	—	—	—	—	—	—	—	(650,416)	—	(650,416)	—	(650,416)
Decrease in non-controlling interests		—	—	—	—	—	—	—	—	—	—	(15,933)	(15,933)
Others	6(18)	—	—	14,516	—	—	—	—	—	—	14,516	—	14,516
Balance at December 31		<u>\$ 95,564,562</u>	<u>\$ —</u>	<u>\$103,312,414</u>	<u>\$13,811,763</u>	<u>\$ 3,204,136</u>	<u>\$ 42,750,417</u>	<u>\$ (8,173,822)</u>	<u>\$ 2,608,670</u>	<u>\$ (602,916)</u>	<u>\$252,475,224</u>	<u>\$ 519,496</u>	<u>\$252,994,720</u>

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

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit before tax		\$ (26,222,453)	\$ 62,411,097
Adjustments			
Adjustments to reconcile (profit) loss			
Depreciation and amortization	6(26)	32,457,777	36,300,651
Net (gain) loss on financial assets or liabilities at fair value through profit or loss		(235,831)	1,169,890
Compensation cost of share-based payments	6(26)	7,226	19,280
Expected credit loss	12(2)	16,158	53,191
Share of profit(loss) of associates and joint ventures accounted for under equity method	6(7)	9,947	(65,134)
Loss on disposal of investments	6(24)	3,709	109,342
Loss on disposal of property, plant and equipment	6(24)	134,544	204,872
Gain on lease modification		—	(966)
Interest expense	6(25)	915,668	977,035
Interest income	6(22)	(1,589,283)	(928,364)
Dividend income	6(23)	(1,907,153)	(812,648)
Foreign exchange gain		(2,426,277)	(28,043)
Others		197	4,599
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets /liabilities at fair value through profit or loss		(69,969)	706,373
Accounts receivable		27,633,753	(10,699,445)
Accounts receivable - related parties		636,853	872,782
Other receivables		460,552	179,463
Inventories		2,360,942	(7,412,951)
Prepayments		(8,884,814)	(2,964,654)
Other current assets		224,446	(129,389)
Changes in operating liabilities			
Accounts payable		(16,709,131)	6,497,780
Accounts payable - related parties		(1,028,484)	469,377
Other payables		(5,933,554)	10,418,353
Provisions - current		(1,090,895)	1,388,199
Other current liabilities		61,386	77,578
Other non-current liabilities		711,153	3,772,292
Cash (outflow) inflow generated from operations		(463,533)	102,590,560
Cash paid for income tax		(1,519,560)	(838,362)
Net cash flows (used in) from operating activities		(1,983,093)	101,752,198

(Continued)

INNOLUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		\$ (428,786)	\$ (32,005,794)
Proceeds from disposal of financial assets at fair value through profit or loss		17,330,195	16,249,815
Acquisition of investments in financial assets measured at fair value through other comprehensive income		—	(518,942)
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		—	363,588
Decrease in financial assets at amortized cost - current		8,240,038	18,964,520
Acquisitions of financial assets at amortized cost - non-current		—	(110,139,087)
Proceeds from disposal of financial assets at amortized cost		61,712,578	31,170,000
Proceeds from repayments of financial assets at amortized cost		4,928,494	5,658,284
Increase in refundable deposits		(1,088,493)	(1,163,436)
Increase in investment accounted for under equity method		(86,829)	(300,000)
Joint venture to establish a subsidiary	4(3)	—	39,700
Acquisition of property, plant and equipment	6(30)	(21,048,162)	(28,138,827)
Proceeds from disposal of property, plant and equipment		96,739	78,968
Acquisition of intangible assets	6(11)	(6,006)	(21,937)
Interest received		1,671,092	369,065
Dividends received		1,980,909	972,500
Net cash flows from (used in) investing activities		<u>73,301,769</u>	<u>(98,421,583)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		173,328	—
Proceeds from long-term borrowings		—	23,850,000
Repayments of long-term borrowings		(8,786,833)	(19,309,333)
Interest paid		(878,578)	(806,097)
Repayment of the principal portion of lease liabilities		(657,345)	(241,061)
Repurchase of bonds payable		—	(104,455)
Cash paid from capital surplus	6(19)	—	(1,047,090)
Cash dividends paid	6(19)	(11,087,601)	(3,141,271)
Proceeds from acquisition of shares of subsidiaries	4(3)	—	(37,720)
Process from disposal of shares of subsidiaries	4(3)	—	240,786
Net change of non-controlling interests		(18,001)	—
Employee share options exercised		11,607	57,775
Payments to acquire treasury shares	6(17)	(602,916)	—
Cash capital reduction	6(17)	(10,031,639)	—
Others	6(18)	14,516	9,690
Net cash flows used in financing activities		<u>(31,863,462)</u>	<u>(528,776)</u>
Effect of changes in foreign currency exchange		367,628	(666,176)
Net increase in cash and cash equivalents		39,822,842	2,135,663
Cash and cash equivalents at beginning of year		28,667,746	26,532,083
Cash and cash equivalents at end of year		<u>\$ 68,490,588</u>	<u>\$ 28,667,746</u>

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

INNOLUX CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) Innolux Corporation (the “Company”) was organized on January 14, 2003 under the Act for Establishment and Administration of Science Parks in the Republic of China (R.O.C.). The Company was listed on the Taiwan Stock Exchange Corporation (the “TSEC”) in October 2006. The Company merged with TPO Displays Corporation and Chi Mei Optoelectronics Corporation on March 18, 2010, with the Company as the surviving entity.

(2) The Company and its subsidiaries (the “Group”) engage in the research, development, design, manufacture and sales of TFT-LCD panels, modules and monitors of LCD, color filter, and low temperature poly-silicon TFT-LCD.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on February 14, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts-cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

Amendments to IAS 1, 'Classification of liabilities as current or non-current'

The amendments clarify that classification of liabilities depends on the rights that exist at the end of the reporting period. An entity shall classify a liability as current when it does not have a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. Also, the amendments define 'settlement' as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit assets or liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Significant inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Innolux Corporation	Innolux Holding Limited	Investment holdings	100	100	—
	Keyway Investment Management Limited	Investment holdings	100	100	—
	Landmark International Ltd.	Investment holdings	100	100	—
	Toppoly Optoelectronics (B.V.I.) Ltd.	Investment holdings	100	100	—
	Innolux Hong Kong Holding Limited	Investment holdings	100	100	—
	Yuan Chi Investment Co., Ltd.	Investment company	100	100	—
	InnoJoy Investment Corporation	Investment company	100	100	—
	Innolux Japan Co., Ltd.	Investment, R&D and distribution company	54	54	—
	Innolux Singapore Holding Pte. Ltd.	Investment holdings	100	100	—
	InnoCare Optoelectronics Corporation	Investment, R&D, manufacturing and distribution company	57	59	(a) and (b)
	GIO Optoelectronics Corp.	Investment, R&D, manufacturing and distribution company	76	76	(c)
	INStek Corporation	R&D, manufacturing and distribution company	40	40	(d)
Innolux Holding Limited	Rockets Holding Limited	Investment holdings	100	100	—
	Suns Holding Ltd	Investment holdings	100	100	—
Keyway Investment Management Limited	Foshan Innolux Logistics Ltd.	Warehousing company	100	100	—
Landmark International Ltd.	Ningbo Innolux Optoelectronics Ltd.	Processing company	100	100	—
	Foshan Innolux Optoelectronics Ltd.	Processing company	100	100	—
	Ningbo Innolux Display Ltd.	Processing company	100	100	—

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Toppoly Optoelectronics (B.V.I.) Ltd.	Toppoly Optoelectronics (Cayman) Ltd.	Investment holdings	100	100	—
Innolux Hong Kong Holding Limited	Innolux Hong Kong Limited	Distribution company	100	100	—
	Innolux Japan Co., Ltd.	Investment, R&D and distribution company	46	46	—
	CarUX Holding Limited	Investment holdings	100	100	—
InnoJoy Investment Corporation	Inno Capital Corporation	Investment company	100	100	(e)
Innolux Japan Co., Ltd.	Innolux USA, Inc.	Distribution company	100	100	—
Innolux Singapore Holding Pte. Ltd.	INNOLUX OPTOELECTRONICS INDIA PRIVATE LIMITED	Distribution company	100	100	—
	INNOLUX OPTOELECTRONICS PHILIPPINES CORP.	Manufacturing and distribution company	—	100	(f)
Rockets Holding Limited	Stanford Developments Limited	Investment holdings	100	100	—
	Nets Trading Ltd.	Investment company	100	100	—
Suns Holding Ltd	Warriors Technology Investments Ltd	Investment company	100	100	—
Toppoly Optoelectronics (Cayman) Ltd.	Nanjing Innolux Technology Ltd.	Distribution company	100	100	—
	Nanjing Innolux Optoelectronics Ltd.	Processing company	100	100	—
CarUX Holding Limited	CARUX TECHNOLOGY PTE. LTD.	Investment and distribution company	100	100	—
CARUX TECHNOLOGY PTE. LTD.	Innolux Optoelectronics Hong Kong Holding Limited	Investment holdings	100	100	—
	Innolux Europe B.V.	Investment, distribution, and R&D testing company	100	100	—
	CarUX Technology Inc.	R&D, manufacturing and distribution company	100	100	—
Innolux Optoelectronics Hong Kong Holding Limited	Shanghai Innolux Optoelectronics Ltd.	Processing company	100	100	—

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Innolux Europe B.V.	Innolux Technology Germany GmbH	Testing and maintenance company	100	100	—
Stanford Developments Limited	Innocom Technology (Shenzhen) Co., Ltd.	Processing company	100	100	—
Ningbo Innolux Optoelectronics Ltd.	Ningbo CarUX Technology Ltd.	Processing company	100	100	—
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Distribution company	100	100	—
	InnoCare Optoelectronics USA, INC.	Distribution company	100	100	—
	Ningbo Innolux Electornics Ltd.	Manufacturing and distribution company	100	100	—
	Innocare Optoelectronics Europe B.V.	After-sales service company	100	100	—
GIO Optoelectronics Corp.	Double Star Inc.	Investment holdings	100	100	—
	GIO (Maanshan) Optoelectronics Co., Ltd.	Processing company	100	100	—

- (a) The Board of Directors of the Company resolved to implement InnoCare Optoelectronics Corporation's ("InnoCare Company") listing plan by releasing its equity interests in the subsidiary in the amount of 10,500 thousand shares in the third quarter of 2021. The Company had released 10,500 thousand shares of InnoCare Company and received proceeds amounting to \$240,786.
- (b) In the third quarter of 2022, the employee stock options issued by InnoCare Optoelectronics Corporation were exercised and converted into ordinary shares, thereby decreasing the Company's shareholding ratio from 59% to 57%.
- (c) The Company repurchased outstanding domestic convertible bonds of the subsidiary, GIO Optoelectronics Corp. ("GIO Company"), in the amount of \$104,455 during the third quarter of 2021, and the Company converted those convertible bonds into common shares of GIO Company. The Company repurchased 3,575 thousand shares of outstanding common stock of GIO Company, in the fourth quarter of 2021, and paid fee amounting to \$37,720.
- (d) The Company injected capital and established a new subsidiary, INStek Corporation, and acquired 40% equity interests in the subsidiary in the third quarter of 2021. The Company had ability and had obtained half seats in the Board of Directors, which indicates that the Company has current ability to direct the relevant activities of the subsidiary. The subsidiary shall be included in the consolidated financial statements, and net cash inflow in the consolidated financial statements was \$39,700.
- (e) Inno Capital Corporation was established in the third quarter of 2021 and was included in the consolidated financial statements since the date of establishment.

(f) In the third quarter of 2022, INNOLUX OPTOELECTRONICS PHILIPPINES CORP. had completed liquidation and dissolution.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. The restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit

or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit

risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and

‘investments accounted for under the equity method’ shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2~51 years
Machinery and equipment	1~11 years
Other equipment	1~6 years

(17) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there

are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 25 ~ 50 years.

(19) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Patent, royalties and other intangible assets are amortized on a straight-line basis over their estimated useful lives of 2 ~ 10 years.

(20) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(22) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(24) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(25) Provisions

Provisions (including warranties, litigations, etc.) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(27) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(28) Income tax

- A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions

where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(29) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

(30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders' meeting. Cash dividends are recorded as liabilities.

(31) Revenue recognition

- A. The Group is primarily engaged in manufacture and sale of TFT-LCD panel products. The Group recognizes revenue when the right of control is transferred to the customer when the products are delivered to customer and the Group has no unperformed obligation that could affect customer acceptance of the product. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Sales revenue is calculated based on the contract price, net of volume discounts and sales returns and discounts. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances.

Accumulated experience is used to estimate and provide for the volume discounts, sales discounts and allowances, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected volume discounts, sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made, which is consistent with market practice.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(32) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as current liabilities or non-current liabilities according to liquidity and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(33) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. For the information of critical accounting judgments, estimates and key sources of assumption uncertainty is addressed below:

(1) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgment, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(11) for the information on goodwill impairment.

B. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future. Please refer to Notes 6(11) for the information on impairment assessment .

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand, demand deposits and checking accounts	\$ 32,480,275	\$ 22,769,902
Time deposits	35,733,923	5,897,844
Fixed income financial products in 3 months	276,390	—
	<u>\$ 68,490,588</u>	<u>\$ 28,667,746</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The above time deposits expire in 3 months and risks of changes in their values are remote.

(2) Financial assets and liabilities at fair value through profit or loss

<u>Assets</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current items</u>		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ —	\$ 13,903,225
Structured products	—	3,269,530
Forward foreign exchange contracts	342,475	54,965
Foreign exchange swap contracts	43,028	130,283
	<u>\$ 385,503</u>	<u>\$ 17,358,003</u>

Assets	December 31, 2022	December 31, 2021
<u>Non-current items</u>		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 3,261,581	\$ 1,224,882
Unlisted stocks	1,271,077	3,063,428
Financial products	114,782	38,553
Convertible bonds	193,988	—
	<u>\$ 4,841,428</u>	<u>\$ 4,326,863</u>
<u>Liabilities</u>		
<u>Current items</u>		
Financial liabilities held for trading		
Forward foreign exchange contracts	\$ 289,691	\$ 198,896
Foreign exchange swap contracts	39,490	—
	<u>\$ 329,181</u>	<u>\$ 198,896</u>

The non-hedging derivative financial assets and liabilities transaction information are as follows:

Derivative financial assets and liabilities	December 31, 2022			December 31, 2021		
	Contract Amount (Notional Principal) (in thousands)	Contract Period	Contract Amount (Notional Principal) (in thousands)	Contract Period		
<u>Current items</u>						
Forward foreign exchange contracts	USD (sell) \$ 250,000	2022/12-2023/01	RMB (sell) \$ 1,020,844	2021/12-2022/01		
	RMB (buy) 1,748,133	2022/12-2023/01	USD (buy) 160,000	2021/12-2022/01		
Forward foreign exchange contracts	RMB (sell) 550,000	2022/10-2023/01	RMB (sell) 625,000	2021/12-2022/01		
	TWD (buy) 2,417,714	2022/10-2023/01	TWD (buy) 2,711,077	2021/12-2022/01		
Forward foreign exchange contracts	USD (sell) 30,000	2022/12-2023/01	USD (sell) 40,000	2021/12-2022/01		
	JPY (buy) 4,049,825	2022/12-2023/01	JPY (buy) 4,577,300	2021/12-2022/01		
Forward foreign exchange contracts	TWD (sell) 4,850,675	2022/10-2023/03	TWD (sell) 6,171,025	2021/09-2022/03		
	JPY (buy) 22,000,000	2022/10-2023/03	JPY (buy) 25,000,000	2021/09-2022/03		
Forward foreign exchange contracts	EUR (sell) 7,700	2022/11-2023/02	EUR (sell) 6,000	2021/12-2022/01		
	USD (buy) 7,994	2022/11-2023/02	USD (buy) 6,803	2021/12-2022/01		
Forward foreign exchange contracts	HKD (sell) 37,500	2022/11-2023/01	HKD (sell) 66,283	2021/11-2022/02		
	USD (buy) 4,800	2022/11-2023/01	USD (buy) 8,500	2021/11-2022/02		
Forward foreign exchange contracts	USD (sell) 871,860	2022/12-2023/02	USD (sell) 930,000	2021/12-2022/01		
	TWD (buy) 26,492,656	2022/12-2023/02	TWD (buy) 25,755,547	2021/12-2022/01		
Foreign exchange swap contracts	USD (sell) 457,000	2022/11-2023/02	USD (sell) 805,000	2021/10-2022/05		
	TWD (buy) 14,022,914	2022/11-2023/02	TWD (buy) 22,406,595	2021/10-2022/05		

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of import and export proceeds in foreign currency, foreign exchange swap contracts are to meet fund procurement demand. However, these contracts are not accounted for using hedge accounting.

(3) Financial assets at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current items</u>		
Equity instruments		
Listed stocks	\$ 5,309,890	\$ 9,818,232
Unlisted stocks	21,116	29,894
	<u>\$ 5,331,006</u>	<u>\$ 9,848,126</u>

A. The Group has elected to classify equity instruments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income.

B. The Group sold \$0 and \$358,212 of stocks at fair value and resulted in cumulative gains amounting to \$0 and \$289,263 on disposal which were recognized in unappropriated retained earnings during the years ended December 31, 2022 and 2021.

C. For information on other comprehensive income for fair value change recognized by the Group for the years ended December 31, 2022 and 2021, please refer to Note 6(20) "Other equity".

(4) Financial assets at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current items</u>		
Principal guaranteed financial assets	\$ 15,031,515	\$ 20,637,496
Corporate bonds	5,186,488	1,995,699
Fixed income financial products	2,020,538	—
	<u>\$ 22,238,541</u>	<u>\$ 22,633,195</u>
<u>Non-current items</u>		
Principal guaranteed financial assets	\$ 1,984,480	\$ 63,343,505
Corporate bonds	887,093	5,697,755
Fixed income financial products	—	5,183,163
	<u>\$ 2,871,573</u>	<u>\$ 74,224,423</u>

A. The Group recognized \$921,172 and \$771,602 of interest income arising from the financial assets at amortized cost for the years ended December 31, 2022 and 2021, respectively.

B. The Group associates with a variety of financial institutions and counterparties all with high credit quality to disperse credit risk, so it expects that the probability of financial institution and counterparty defaults is remote.

(5) Notes receivable and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 161,976	\$ 75,311
Accounts receivable	32,995,051	60,715,469
	<u>33,157,027</u>	<u>60,790,780</u>
Less: Allowance for uncollectible accounts	(279,260)	(262,610)
	<u>\$ 32,877,767</u>	<u>\$ 60,528,170</u>

A. The aging analysis of accounts receivable and notes receivable is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 29,766,334	\$ 56,887,325
Up to 60 days	2,224,780	3,418,512
61 to 180 days	820,381	245,769
Over 180 days	345,532	239,174
	<u>\$ 33,157,027</u>	<u>\$ 60,790,780</u>

The above aging analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$50,107,177.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials and supplies	\$ 5,919,722	\$ 8,785,532
Work in progress	14,418,978	14,575,596
Finished goods	15,578,579	14,917,093
	<u>\$ 35,917,279</u>	<u>\$ 38,278,221</u>

For the years ended December 31, 2022 and 2021, the Group recognized cost of goods sold for inventories that have been sold at \$230,097,172 and \$258,315,997 and recognized net inventory loss at \$524,358 and \$261,013 due to write down of cost of scrap inventories to net realizable value, respectively.

(7) Investments accounted for under the equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Ampower Holding Ltd.	\$ 904,206	\$ 801,157
FI Medical Device Manufacturing Co., Ltd.	304,356	318,640
PanelSemi Corporation	162,329	243,661
Others	165,926	79,226
	<u>\$ 1,536,817</u>	<u>\$ 1,442,684</u>

The operating results of the Group's share in all individually immaterial associates are summarized below:

	Years ended December 31,	
	2022	2021
(Loss) profit for the year from continuing operations	\$ (9,947)	\$ 65,134
Other comprehensive income (loss) - net of tax	114,568	(34,241)
Total comprehensive income	<u>\$ 104,621</u>	<u>\$ 30,893</u>

(8) Property, plant and equipment

	2022				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Land	\$ 4,093,726	\$ —	\$ —	\$ —	\$ 4,093,726
Buildings	205,568,161	613,182	(134,314)	2,064,240	208,111,269
Machinery and equipment	537,561,904	3,503,973	(6,330,550)	11,000,993	545,736,320
Other equipment	50,862,400	15,367	(4,096,390)	4,256,230	51,037,607
	<u>798,086,191</u>	<u>4,132,522</u>	<u>(10,561,254)</u>	<u>17,321,463</u>	<u>808,978,922</u>
Accumulated depreciation and impairment:					
Buildings	(147,599,956)	(8,275,945)	132,370	(256,608)	(156,000,139)
Machinery and equipment	(453,390,220)	(19,285,056)	6,214,901	(539,881)	(467,000,256)
Other equipment	(44,323,458)	(4,202,855)	4,065,993	(79,983)	(44,540,303)
	<u>(645,313,634)</u>	<u>(31,763,856)</u>	<u>10,413,264</u>	<u>(876,472)</u>	<u>(667,540,698)</u>
Unfinished construction and equipment under acceptance	9,835,351	17,502,620	—	(11,242,677)	16,095,294
	<u>\$ 162,607,908</u>				<u>\$ 157,533,518</u>
	2021				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Land	\$ 4,093,726	\$ —	\$ —	\$ —	\$ 4,093,726
Buildings	203,938,280	435,176	(226,780)	1,421,485	205,568,161
Machinery and equipment	526,646,694	4,332,608	(6,270,330)	12,852,932	537,561,904
Other equipment	49,731,327	26,216	(2,957,357)	4,062,214	50,862,400
	<u>784,410,027</u>	<u>4,794,000</u>	<u>(9,454,467)</u>	<u>18,336,631</u>	<u>798,086,191</u>
Accumulated depreciation and impairment:					
Buildings	(139,325,425)	(8,588,932)	223,417	90,984	(147,599,956)
Machinery and equipment	(436,793,758)	(22,456,891)	5,697,690	162,739	(453,390,220)
Other equipment	(42,804,109)	(4,530,235)	2,923,228	87,658	(44,323,458)
	<u>(618,923,292)</u>	<u>(35,576,058)</u>	<u>8,844,335</u>	<u>341,381</u>	<u>(645,313,634)</u>
Unfinished construction and equipment under acceptance	13,414,940	23,767,262	(42)	(27,346,809)	9,835,351
	<u>\$ 178,901,675</u>				<u>\$ 162,607,908</u>

A. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

B. As of December 31, 2022 and 2021, the prepayments for business facilities which have not yet entered the factory (shown as ‘other non-current assets’) amounted to \$3,704,935 and \$8,530,392, respectively.

C. Information about impairment assessment is provided in Note 6(11)

(9) Leasing arrangements - lessee

A. The Group leases various assets including land, offices and business vehicles. Rental contracts are typically made for periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise office, dormitory and equipment. Low-value assets comprise computer equipment.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022	December 31, 2021
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 4,693,516	\$ 5,042,470
Buildings (Office)	95,060	101,957
Transportation equipment (Business vehicles)	1,177	2,341
	<u>\$ 4,789,753</u>	<u>\$ 5,146,768</u>
	Year ended	Year ended
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Depreciation Charge</u>	<u>Depreciation Charge</u>
Land	\$ 488,612	\$ 477,095
Buildings (Office)	42,445	40,298
Transportation equipment (Business vehicles)	1,236	1,302
	<u>\$ 532,293</u>	<u>\$ 518,695</u>

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$33,236 and \$135,603, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended	Year ended
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 81,331	\$ 87,404
Expense on variable lease payments	156,621	149,913
Expense on short-term lease contracts	73,159	76,702
Expense on leases of low-value assets	48,636	37,508

F. For the years ended December 31, 2022 and 2021, the Group’s total cash outflow for leases were \$965,005 and \$541,789, respectively.

(10) Investment property

	2022		
	At January 1	Additions	At December 31
Cost:			
Land	\$ 188,247	\$ —	\$ 188,247
Buildings	439,228	—	439,228
	<u>627,475</u>	<u>—</u>	<u>627,475</u>
Accumulated depreciation:			
Buildings	(155,820)	(27,789)	(183,609)
	<u>\$ 471,655</u>	<u>\$ (27,789)</u>	<u>\$ 443,866</u>
	2021		
	At January 1	Additions	At December 31
Cost:			
Land	\$ 188,247	\$ —	\$ 188,247
Buildings	439,228	—	439,228
	<u>627,475</u>	<u>—</u>	<u>627,475</u>
Accumulated depreciation:			
Buildings	(128,031)	(27,789)	(155,820)
	<u>\$ 499,444</u>	<u>\$ (27,789)</u>	<u>\$ 471,655</u>

The fair value of the investment property held by the Group as at December 31, 2022 and 2021 was \$1,670,276 and \$1,978,199, respectively. The amounts mentioned above represent valuation results of comparative method based on market trading information categorized within Level 3 in the fair value hierarchy.

(11) Intangible assets

A. Intangible assets are goodwill, payments for TFT-LCD related technology and royalty. Details of intangible assets are as follows:

	2022				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Patents and royalty	\$ 8,232,454	\$ —	\$ (3,000)	\$ 400	\$ 8,229,854
Goodwill	17,117,339	—	—	—	17,117,339
Others	4,862,691	6,006	(313,305)	122,604	4,677,996
	<u>30,212,484</u>	<u>6,006</u>	<u>(316,305)</u>	<u>123,004</u>	<u>30,025,189</u>
Accumulated amortization and impairment:					
Patents and royalty	(8,171,928)	(19,656)	3,000	(1)	(8,188,585)
Others	(4,519,962)	(114,183)	313,305	(4,404)	(4,325,244)
	<u>(12,691,890)</u>	<u>(133,839)</u>	<u>316,305</u>	<u>(4,405)</u>	<u>(12,513,829)</u>
	<u>\$ 17,520,594</u>	<u>\$ (127,833)</u>	<u>\$ —</u>	<u>\$ 118,599</u>	<u>\$ 17,511,360</u>

	2021				At December 31
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	
Cost:					
Patents and royalty	\$ 8,184,436	\$ —	\$ —	\$ 48,018	\$ 8,232,454
Goodwill	17,117,339	—	—	—	17,117,339
Others	5,368,254	21,937	(635,658)	108,158	4,862,691
	<u>30,670,029</u>	<u>21,937</u>	<u>(635,658)</u>	<u>156,176</u>	<u>30,212,484</u>
Accumulated amortization and impairment:					
Patents and royalty	(8,156,715)	(15,215)	—	2	(8,171,928)
Others	(5,006,330)	(162,894)	635,658	13,604	(4,519,962)
	<u>(13,163,045)</u>	<u>(178,109)</u>	<u>635,658</u>	<u>13,606</u>	<u>(12,691,890)</u>
	<u>\$ 17,506,984</u>	<u>\$ (156,172)</u>	<u>\$ —</u>	<u>\$ 169,782</u>	<u>\$ 17,520,594</u>

B. Details of amortization of intangible assets are as follows:

	Years ended December 31,	
	2022	2021
Operating costs	\$ 40,165	\$ 59,212
Operating expenses	93,674	118,897
	<u>\$ 133,839</u>	<u>\$ 178,109</u>

C. The Company is primarily engaged in the manufacture of TFT-LCD products, which is a single cash-generating unit. The Group performed impairment analysis for recoverable amount of the goodwill and property, plant and equipment at each reporting date and used the value in use as the basis for calculation of the recoverable amount. The value in use was calculated based on the estimated present value of future cash flows for five years, which was discounted at the discount rate of 9.38% and 12.58% , respectively, for the years ended December 31, 2022 and 2021, to reflect the specific risks of the related cash generating units. The future cash flows were estimated based on the future revenue, gross profit, and other operating costs each year. Based on the evaluation above, the Group did not recognize impairment loss on goodwill and property, plant and equipment for the years ended December 31, 2022 and 2021, respectively.

(12) Short-term borrowings

Type of borrowings	December 31, 2022	Collateral
Bank borrowings		
Unsecured borrowings	\$ 425,000	None
Range of interest rates	<u>1.95%~2.07%</u>	

As of December 31, 2021, the Group did not hold any short-term borrowings.

(13) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other personnel expenses	\$ 11,943,471	\$ 16,607,485
Payable on machinery and equipment	4,759,328	4,172,348
Repairs and maintenance expense payable	2,636,678	2,993,417
Utilities expense payable	1,116,532	1,163,786
Other payables	11,491,831	11,577,192
	<u>\$ 31,947,840</u>	<u>\$ 36,514,228</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Period</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Syndicated bank borrowings	2019/4/15 ~2024/4/15	\$ 35,000,000	\$ 43,750,000
Unsecured borrowings	2021/12/2 ~2026/11/15	600,000	600,000
Secured borrowings	2021//9/22 ~2024/9/22	58,333	95,166
Less:			
Administrative expenses charged by syndicated banks		(45,484)	(82,241)
Current portion (includes administrative expenses)		(8,774,740)	(8,770,385)
		<u>\$ 26,838,109</u>	<u>\$ 35,592,540</u>
Range of interest rates		<u>0.75%~2.26%</u>	<u>0.75%~1.79%</u>

- A. Please refer to Note 8 for the information on assets pledged as collateral for long-term borrowings.
- B. The syndicated borrowing agreements specified that the Company shall meet covenants on current ratio, liability ratio, interest coverage, and tangible net equity, based on the Company's annual consolidated financial statements audited by independent auditors. The Company's financial ratios on the consolidated financial statements for the years ended December 31, 2022 and 2021 are in compliance with the covenants on the syndicated borrowing agreement.
- C. For repayment of borrowings from financial institutions and financing mid-term working capital fund, the Board of Directors approved the signing of a syndicated borrowing with financial institution in the amount of \$37.5 billion on May 5, 2020. As of December 31, 2022, the borrowing has yet to be drawn down.

(15) Pensions

A. Defined benefit pension plan

- (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who choose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a

maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

- (b) In February 2022, the Science Park, Ministry of Science and Technology approved the Company to stop contributing to the retirement fund temporarily.
- (c) In the first half of 2022, the Company reached an agreement with part of its employees for terminating their defined benefit pension plans and settled its defined benefit obligation. Total pension payment paid from the plan assets was \$2,166,345. Accordingly, the Company re-assessed the actuarial assumptions and recognized gain on the settlement amounting to \$127,244 and gain on remeasurement of net defined benefit liability amounting to \$232,321.

(d) The amounts recognized in the balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 239,075	\$ 2,568,347
Fair value of plan assets	(516,955)	(2,501,876)
Net defined benefit (asset) liability	<u>\$ (277,880)</u>	<u>\$ 66,471</u>

(e) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Year ended December 31, 2022			
Balance at January 1	\$ 2,568,347	\$ 2,501,876	\$ 66,471
Current service cost	5,514	—	5,514
Interest expense/income	10,494	12,699	(2,205)
Gain on settlement	(127,244)	—	(127,244)
	<u>(111,236)</u>	<u>12,699</u>	<u>(123,935)</u>
Remeasurements :			
Return on plan assets (excluding amounts included in interest income or expense)	—	176,654	(176,654)
Change in demographic assumptions	9,952	—	9,952
Change in financial assumptions	(15,912)	—	(15,912)
Experience adjustments	(37,786)	—	(37,786)
Paid pension	(2,174,290)	(2,174,290)	—
	<u>(2,218,036)</u>	<u>(1,997,636)</u>	<u>(220,400)</u>
Contribution for the year	—	16	(16)
Balance at December 31	<u>\$ 239,075</u>	<u>\$ 516,955</u>	<u>\$ (277,880)</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2021			
Balance at January 1	\$ 2,127,700	\$ 1,970,661	\$ 157,039
Current service cost	5,727	—	5,727
Interest expense/income	8,511	7,883	628
	<u>14,238</u>	<u>7,883</u>	<u>6,355</u>
Remeasurements :			
Return on plan assets(excluding amounts included in interest income or expense)	—	27,371	(27,371)
Change in demographic assumptions	3,891	—	3,891
Change in financial assumptions	120,141	—	120,141
Experience adjustments	317,855	—	317,855
Paid pension	(15,478)	(15,478)	—
	<u>426,409</u>	<u>11,893</u>	<u>414,516</u>
Contribution for the year	—	511,439	(511,439)
Balance at December 31	<u>\$ 2,568,347</u>	<u>\$ 2,501,876</u>	<u>\$ 66,471</u>

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(g) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	<u>1.30%~2.25%</u>	<u>0.625%~0.70%</u>
Future salary increases	<u>2.40%~3.50%</u>	<u>2.40%~3.00%</u>

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	\$ (6,603)	\$ 6,864	\$ 6,173	\$ (5,980)
	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	\$ (89,871)	\$ 94,602	\$ 85,142	\$ (82,777)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (h) As of December 31, 2022, the weighted average duration of the retirement plan is 12~33.2 years.

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s foreign subsidiaries have provided the pension in accordance with statutory laws and regulations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$1,957,289 and \$1,859,850, respectively.

(16) Provisions-current

	Warranty	Litigation and others	Total
At January 1, 2022	\$ 3,299,156	\$ 4,242,026	\$ 7,541,182
Additions during the year	810,839	397,181	1,208,020
Used (unused amounts reversed) during the year	(1,429,128)	(1,653,350)	(3,082,478)
Effect of change in exchange rate	1,643	—	1,643
At December 31, 2022	\$ 2,682,510	\$ 2,985,857	\$ 5,668,367

A. Warranty

The Group provides warranty on TFT-LCD panel products sold. Provision for warranty is estimated based on historical warranty data of TFT-LCD panel products.

B. Litigation and others

Litigation and other provisions for the Group are related to patents of TFT-LCD panel products and anti-trust litigations. For information on estimation of provisions, please refer to Note 9(1).

(17) Share capital

A. As of December 31, 2022, the Company's authorized and outstanding capital were \$120,000,000 and \$95,564,562, with a par value of \$10 (in dollars) per share, respectively. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding (including certificate of entitlement to new shares from convertible bonds) are as follows:

	<u>2022</u>	<u>2021</u>
	Number of ordinary shares (in thousand units)	Number of ordinary shares (in thousand units)
At January 1	10,559,620	9,940,433
Cash capital reduction	(1,003,164)	—
Stocks converted from bonds	—	619,187
Shares retired	(45,250)	—
At December 31	<u>9,511,206</u>	<u>10,559,620</u>

B. The Company's bonds totalling USD 218,800 thousand (face value) had been converted into \$6,191,869 of ordinary shares (619,187 thousand shares) with a par value of \$10 (in dollars) per share during the year ended December 31, 2021, which resulted in 'capital surplus, additional paid-in capital arising from bond conversion' of \$4,544,732.

C. Capital reduction

To adjust the capital structure, the stockholders of the Company during their meeting on June 24, 2022 resolved to implement a capital reduction and return capital in cash to stockholders. The registration of the capital reduction was approved by the Taiwan Stock Exchange in accordance with the Letter No.Tai-Zheng-Shang-Yi-Zi-1111803817, dated August 10, 2022. The capital reduction amounted to \$10,031,639 for a total of 1,003,164 thousand shares, and the ratio of capital reduction was 9.5%. The effective date of the capital reduction was August 15, 2022. The change of registration was completed on August 23, 2022. The effective date of the replacement of shares due to the capital reduction was October 7, 2022.

D. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	<u>December 31, 2022</u>	
		Quantity (in thousand units)	Book Value
The Company	To be reissued to employees	<u>45,250</u>	<u>\$ 602,916</u>

- (b) The Company acquired a total of 50,000 thousand treasury shares at \$650,416 in the second quarter of 2022. After the cash capital reduction declaration became effective and the change registration was completed in the third quarter of 2022, the Company eliminated 4,750 thousand shares and reduced cost of treasury shares by \$47,500. Please refer to the above description for relevant cash capital reduction information.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and shareholder's rights should not be enjoyed before it is reissued.
- (e) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be cancelled.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Accumulated deficit shall first be covered by retained earnings before the capital reserve can be used to cover the accumulated deficit.

	2022					
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Share of profit (loss) of associates accounted for under equity method	Difference between proceeds on acquisition or disposal of equity interest in a subsidiary and its carrying amount	Total
At January 1	\$99,992,177	\$ 3,183,414	\$ 6,484	\$ 41,277	\$ 64,130	\$103,287,482
Recognition of changes in ownership interests in subsidiaries	—	—	10,169	—	—	10,169
Recognition of change in equity of associates in proportion to the Group's ownership	—	—	—	247	—	247
Others	14,516	—	—	—	—	14,516
At December 31	<u>\$100,006,693</u>	<u>\$ 3,183,414</u>	<u>\$ 16,653</u>	<u>\$ 41,524</u>	<u>\$ 64,130</u>	<u>\$103,312,414</u>

2021

	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Share of profit (loss) of associates accounted for under equity method	Difference between proceeds on acquisition or disposal of equity interest in a subsidiary and its carrying amount	Total
At January 1	\$96,484,845	\$ 3,183,414	\$ 62	\$ 39,675	\$ —	\$ 99,707,996
Cash dividends from capital surplus	(1,047,090)	—	—	—	—	(1,047,090)
Conversion of convertible bonds	4,544,732	—	—	—	—	4,544,732
Recognition of changes in ownership interests in subsidiaries	—	—	11,722	—	—	11,722
Recognition of change in equity of associates in proportion to the Group's ownership	—	—	—	1,602	—	1,602
Difference between consideration and carrying amount of subsidiaries acquired	—	—	—	—	(364)	(364)
Difference between consideration and carrying amount of subsidiaries disposed	—	—	—	—	64,494	64,494
Establishment of subsidiaries	—	—	(5,300)	—	—	(5,300)
Others	9,690	—	—	—	—	9,690
At December 31	<u>\$99,992,177</u>	<u>\$ 3,183,414</u>	<u>\$ 6,484</u>	<u>\$ 41,277</u>	<u>\$ 64,130</u>	<u>\$103,287,482</u>

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be offset against prior years' operating losses, then set aside 10% of the remaining amount as legal reserve (until the legal reserve equals the paid-in capital). Preferred dividend shall be distributed after setting aside or reversing a special reserve according to related regulations. The appropriation of the remaining amount along with the unappropriated earnings from previous years shall be proposed by the Board of Directors and resolved by the shareholders. The net decrease in other equity accumulated in prior periods should be appropriated from prior period's undistributed earnings to a special reserve of the same amount, and if there is a deficiency, the same amount should be appropriated from the post-tax profit for the year plus the amount of items other than post-tax profit for the year, and the amount was included in the unappropriated earnings for the year.

Depending on the Company's future long-term financial planning, investment environment, industry competition, capital expenditure budget, capital requirements and protection of shareholders' rights, dividends should account for at less 20% of the distributable earnings for the year. However, as the distributable earnings is lower than 2% of the paid-in capital, the Company may choose not to distribute dividends and transferred dividends to the retained earnings. Earnings shall be preferably distributed using cash dividends and may also be distributed using stock dividends. The ratio for cash dividends shall not be less than 50% of the total amount of dividends distributed. The aforementioned dividend distribution rate may be adjusted based on financial, business and operational factors.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. The details of the 2021 net income which was approved at the stockholders' meeting in June 2022 and the appropriation of 2020 net income which was approved at the stockholders' meeting in July 2021 are as follows:

	Years ended December 31,			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 5,749,212		\$ 191,838	
Reversal of special reserve	(2,855,535)		(1,265,766)	
Cash dividends	11,087,601	\$ 1.05	3,141,271	\$ 0.30
	<u>\$ 13,981,278</u>		<u>\$ 2,067,343</u>	

The stockholders' meeting in July 2021 approved a resolution to distribute cash dividends amounting to \$1,047,090 at \$0.1 (in dollars) per share from capital surplus.

(20) Other equity items

	2022		
	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1	\$ (9,862,144)	\$ 6,658,008	\$ (3,204,136)
Revaluation - gross	—	(4,581,277)	(4,581,277)
Currency translation differences	1,587,253	—	1,587,253
Share of other comprehensive income of associates	101,069	13,499	114,568
Effect of income tax	—	518,440	518,440
At December 31	<u>\$ (8,173,822)</u>	<u>\$ 2,608,670</u>	<u>\$ (5,565,152)</u>
	2021		
	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1	\$ (8,879,169)	\$ 2,819,498	\$ (6,059,671)
Revaluation - gross	—	4,834,177	4,834,177
Disposal of investments in equity instruments measured at fair value through other comprehensive income	—	(289,263)	(289,263)
Currency translation differences	(948,734)	—	(948,734)
Share of other comprehensive loss of associates	(34,241)	—	(34,241)
Effect of income tax	—	(706,404)	(706,404)
At December 31	<u>\$ (9,862,144)</u>	<u>\$ 6,658,008</u>	<u>\$ (3,204,136)</u>

(21) Operating income

	Years ended December 31,	
	2022	2021
TFT-LCD products	<u>\$ 223,715,758</u>	<u>\$ 350,076,690</u>

The Group derives revenue from the transfer of goods at a point in time.

(22) Interest income

	Years ended December 31,	
	2022	2021
Interest income from financial assets at amortized cost	\$ 921,172	\$ 771,602
Interest income from bank deposits	668,111	156,762
	<u>\$ 1,589,283</u>	<u>\$ 928,364</u>

(23) Other income

	Years ended December 31,	
	2022	2021
Dividend income	\$ 1,907,153	\$ 812,648
Service revenue	1,440,856	1,006,445
Grant revenue	877,054	424,375
Other income	1,715,046	1,197,893
	<u>\$ 5,940,109</u>	<u>\$ 3,441,361</u>

(24) Other gains and losses

	Years ended December 31,	
	2022	2021
Net loss on financial assets and liabilities at fair value through profit or loss	\$ (6,653,432)	\$ (2,473,911)
Net currency exchange gain (loss)	5,794,907	(50,011)
Loss on disposal of investments	(3,709)	(109,342)
Loss on disposal of property, plant and equipment	(134,544)	(204,872)
Other losses	(164,454)	(921,666)
	<u>\$ (1,161,232)</u>	<u>\$ (3,759,802)</u>

(25) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 833,137	\$ 841,807
Convertible bonds	—	46,586
Others	82,531	88,642
	<u>\$ 915,668</u>	<u>\$ 977,035</u>

(26) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense:		
Salaries and other short-term employee benefits	\$ 40,772,718	\$ 48,245,710
Share-based payments	7,226	19,280
Post-employment benefits	1,833,354	1,866,205
Depreciation	32,323,938	36,122,542
Amortization	133,839	178,109
	<u>\$ 75,071,075</u>	<u>\$ 86,431,846</u>

(27) Employees' compensation and directors' remuneration

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 0.1% for directors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$0 and \$4,246,994, respectively; while directors' remuneration was accrued at \$0 and \$65,338, respectively. The aforementioned amounts were recognized in expenses.

For the year ended December 31, 2022, the Company incurred net loss and had an accumulated deficit. Thus, there was no distribution of employees' compensation and directors' remuneration as resolved by the Board of Directors on February 14, 2023.

The employees' compensation and directors' remuneration for the year ended December 31, 2021, were \$4,246,994 and \$65,338, respectively, and will be distributed in the form of cash as resolved by the Board of Directors on February 11, 2022. The resolved amounts were in agreement with the amount of recorded expense for the year ended December 31, 2021. As of February 14, 2023, employees' compensation and directors' remuneration for 2021 have been distributed completely.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profit for the period	\$ 1,752,075	\$ 1,460,150
Tax on undistributed surplus earnings	205,862	—
Prior year income tax overestimation	(171,439)	(74,913)
Total current tax	<u>1,786,498</u>	<u>1,385,237</u>
Deferred tax:		
Origination and reversal of temporary differences	(94,175)	(449,256)
Loss carryforward	—	3,929,993
Income tax expense	<u>\$ 1,692,323</u>	<u>\$ 4,865,974</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2022	2021
Changes in fair value of financial assets at fair value through other comprehensive income	\$ (518,440)	\$ 706,404
Remeasurements of defined benefit obligations	44,080	(82,903)
	<u>\$ (474,360)</u>	<u>\$ 623,501</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ (3,811,595)	\$ 13,658,322
Effects from items disallowed by tax regulation	(774,576)	(305,180)
Prior year income tax overestimation	(171,439)	(74,913)
Separate taxation	3,821	134
Tax on undistributed surplus earnings	205,862	—
Change in assessment of realization of deferred tax assets	6,240,250	(8,412,389)
Tax expense	<u>\$ 1,692,323</u>	<u>\$ 4,865,974</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

					2022				
					January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31	
Deferred tax assets:									
-Temporary differences:									
	Sales returns and discount provisions	\$	686,356	\$	(136,758)	\$	—	\$	549,598
	Accrued royalties and warranty provisions		1,579,496		155,435		—		1,734,931
	Unrealized exchange loss		559		70,969		—		71,528
	Unrealized loss on financial instruments		520,072		(2,730)		—		517,342
	Others		625,655		48,306		—		673,961
		\$	<u>3,412,138</u>	\$	<u>135,222</u>	\$	<u>—</u>	\$	<u>3,547,360</u>
- Deferred tax liabilities:									
	Unrealized exchange gain	\$	(17,220)	\$	15,450	\$	—	\$	(1,770)
	Unrealized gain on financial instruments		(813,416)		21,839		518,440		(273,137)
	Amortization charges on goodwill		(1,142,674)		(96,905)		—		(1,239,579)
	Others		(30,094)		18,569		(44,080)		(55,605)
		\$	<u>(2,003,404)</u>	\$	<u>(41,047)</u>	\$	<u>474,360</u>	\$	<u>(1,570,091)</u>
		\$	<u>1,408,734</u>	\$	<u>94,175</u>	\$	<u>474,360</u>	\$	<u>1,977,269</u>
					2021				
					January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31	
Deferred tax assets:									
-Temporary differences:									
	Sales returns and discount provisions	\$	634,935	\$	51,421	\$	—	\$	686,356
	Accrued royalties and warranty provisions		1,309,803		269,693		—		1,579,496
	Unrealized exchange loss		—		559		—		559
	Unrealized loss on financial instruments		594,116		2,729		(76,773)		520,072
	Others		653,115		(110,362)		82,902		625,655
	Loss carryforward		3,929,993		(3,929,993)		—		—
		\$	<u>7,121,962</u>	\$	<u>(3,715,953)</u>	\$	<u>6,129</u>	\$	<u>3,412,138</u>
- Deferred tax liabilities:									
	Unrealized exchange gain	\$	(154,581)	\$	137,361	\$	—	\$	(17,220)
	Unrealized gain on financial instruments		—		(183,786)		(629,630)		(813,416)
	Amortization charges on goodwill		(1,045,769)		(96,905)		—		(1,142,674)
	Others		(408,640)		378,546		—		(30,094)
		\$	<u>(1,608,990)</u>	\$	<u>235,216</u>	\$	<u>(629,630)</u>	\$	<u>(2,003,404)</u>
		\$	<u>5,512,972</u>	\$	<u>(3,480,737)</u>	\$	<u>(623,501)</u>	\$	<u>1,408,734</u>

D. Expiration dates of unused loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2022

<u>Year incurred</u>	<u>Amount filed / assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Usable until year</u>
2016	\$ 1,051,680	\$ 1,051,680	\$ 1,051,680	2026
2019	21,206,403	21,206,403	21,206,403	2029
2022	32,774,644	32,774,644	32,774,644	2032
	<u>\$ 55,032,727</u>	<u>\$ 55,032,727</u>	<u>\$ 55,032,727</u>	

December 31, 2021

<u>Year incurred</u>	<u>Amount filed / assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Usable until year</u>
2012	\$ 42,430,348	\$ 3,546,716	\$ 3,546,716	2022
2016	1,051,680	1,051,680	1,051,680	2026
2019	21,206,403	21,206,403	21,206,403	2029
	<u>\$ 64,688,431</u>	<u>\$ 25,804,799</u>	<u>\$ 25,804,799</u>	

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	<u>\$ 1,483,018</u>	<u>\$ 1,532,571</u>

F. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2022 and 2021, the amounts of temporary differences unrecognized as deferred tax liabilities were \$39,360,172 and \$34,176,731 respectively.

G. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(29) (Loss) earnings per share

	<u>Year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	<u>\$ (27,990,256)</u>	<u>10,152,560</u>	<u>\$ (2.76)</u>

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 57,534,461	10,395,532	\$ 5.53
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	57,534,461	10,395,532	
Assumed conversion of all dilutive potential ordinary shares:			
-Convertible bonds	45,441	164,088	
-Employees' compensation	—	217,365	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 57,579,902	10,776,985	\$ 5.34

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 21,635,142	\$ 28,561,262
Add: Opening balance of payable on equipment	4,172,348	3,749,913
Less: Ending balance of payable on equipment	(4,759,328)	(4,172,348)
Cash paid during the year	\$ 21,048,162	\$ 28,138,827

(31) Changes in liabilities from financing activities

For the years ended December 31, 2022 and 2021, liabilities from financing activities include short-term borrowings, bonds payable, long-term borrowings and lease liabilities. Changes in those items result from cash flow from financing activities, conversion, discount and amortization of bonds payable as well as changes in exchange rate. The summarized significant changes are as follows and other information is provided in the consolidated statements of cash flows.

	2021
	Bonds payable
At January 1	\$ 5,473,004
Conversion of convertible bonds	(5,481,350)
Amortization of discounts on convertible bonds	46,586
Impact of changes in foreign exchange rate	(38,240)
At December 31	\$ —

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Group
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Other related party
PanelSemi Corporation and its subsidiaries	Associate
FI Medical Device Manufacturing Co., Ltd.	Associate

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2022	2021
Sales of goods:		
Other related parties	\$ 2,642,879	\$ 6,095,130
Associates	464,628	106,871
	<u>\$ 3,107,507</u>	<u>\$ 6,202,001</u>

The collection period was mainly 30~90 days upon shipment or on a monthly-closing basis to related parties. The sales prices and the trading terms to related parties above were not significantly different from those of sales to third parties.

B. Purchases of goods

	Years ended December 31,	
	2022	2021
Purchases of goods:		
Other related parties	\$ 4,472,845	\$ 4,803,317
Associates	229,233	84,409
	<u>\$ 4,702,078</u>	<u>\$ 4,887,726</u>

The payment term was 30~120 days to related parties after transaction date, and 30~180 days to non-related parties after delivery or on a monthly-closing basis. The purchase prices and the payment terms from related parties above were not materially different from those of purchases from third parties.

C. Receivables from related parties

	December 31, 2022	December 31, 2021
Accounts receivable:		
Other related parties	\$ 606,765	\$ 1,277,931
Associates	107,757	73,444
	<u>\$ 714,522</u>	<u>\$ 1,351,375</u>

The receivables from related parties arise mainly from sales transactions. The receivables are due 30~90 days after the date of sale. The receivables are unsecured in nature and bear no interest.

D. Payables to related parties

	December 31, 2022	December 31, 2021
Accounts payable:		
Other related parties	\$ 1,072,075	\$ 2,069,083
Associates	89,749	121,225
	<u>\$ 1,161,824</u>	<u>\$ 2,190,308</u>

The payables to related parties arise mainly from purchase transactions and are due 30~120 days after the date of purchase. The payables bear no interest.

E. Property transactions

Purchase of property

(a) Acquisition of property, plant and equipment:

	Years ended December 31,	
	2022	2021
Associates	\$ 11,363	\$ 2,016
Other related parties	11,311	21,107
	<u>\$ 22,674</u>	<u>\$ 23,123</u>

(b) Period-end balances arising from purchases of property (shown as 'Other payables'):

	December 31, 2022	December 31, 2021
Other related parties	<u>\$ 791</u>	<u>\$ —</u>

Disposal of other assets

For the year ended December 31, 2022, the Company and its subsidiaries sold certain other assets to associates and recognised gain on disposal of \$15,453.

(3) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 125,528	\$ 425,511
Shared-based payments	895	2,876
Post-employment benefits	1,430	1,371
	<u>\$ 127,853</u>	<u>\$ 429,758</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Property, plant and equipment	\$ 53,818,998	\$ 63,366,908	Long-term borrowings
Other assets - others			
-Demand deposits	—	350	Long-term borrowings
-Time deposits	15,620	48,430	Tariff guarantee and performance bond
-Refundable deposits	846,036	762,562	Litigation guarantee
	<u>\$ 54,680,654</u>	<u>\$ 64,178,250</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies - Significant Litigations

A. The Company's subsidiary in U.S. received a civil complaint from the government of Puerto Rico in September 2018, claiming that the company, together with other defendants of Taiwan, Japan and South Korea TFT - LCD companies, had unjustified enrichment from the TFT-LCD

price conspiracy in 2006 and requested monetary compensation. The U.S. subsidiary of the Company retained lawyers to handle the lawsuit. On October 31, 2022, the court dismissed the case for lack of diligent prosecution.

- B. Bishop Display Tech LLC (Bishop) filed a lawsuit against the Company with the United States District Court for the Eastern District of Texas on October 3, 2022, alleging infringement of its US patent. The Company received the service of a complaint on October 28, 2022 and subsequently filed an answer to the complaint on January 26, 2023. Currently, the lawsuit has no impact on the Company's operations and financial position.
- C. The Company had assessed and recognized related losses and liabilities as shown in 'provisions-current' for the aforementioned investigation relating to anti-trust laws and patent litigation.

(2) Commitments

- A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 27,044,460</u>	<u>\$ 18,481,181</u>

- B. Outstanding letters of credit

The outstanding letters of credit for the acquisition of property, plant and equipment are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Outstanding letters of credit	<u>\$ 349,512</u>	<u>\$ 59,655</u>

- C. On August 3, 2021, the Board of Directors of the Company resolved to enter into a long-term strategic partnership supply contract with SDP Global(China) Co., LTD. The total price of the contract amounted to RMB 4 billion and will be prepaid based on agreed payment terms. As of December 31, 2022, the remaining amount the Group hasn't paid was RMB 1.1 billion. SDP Global (China) Co., LTD. committed to supply certain products in specified quantities each year from January 1, 2022 to December 31, 2033 to the Company and its subsidiary, Foshan Innolux Optoelectronics Ltd. The abovementioned prepayments to suppliers of the Group are shown as 'prepayments' and 'other non-current assets' based on liquidity amounting to \$0 and \$12,617,153, respectively, as of December 31, 2022 and \$434,150 and \$1,736,600, respectively, as of December 31, 2021.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives are to maintain an optimal capital structure, and constructively reduce the debt ratio and the cost of capital in order to maximize shareholders' equity.

(2) Financial instruments

- A. Financial instruments by category

For information of the Group's financial assets (financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, cash and cash equivalents, accounts receivable (including related parties), other receivables and partial other assets-others (including current and non-current portion)) and financial liabilities (short-term borrowings, financial liabilities at fair value through profit or loss, accounts payable (including related parties), other payables, lease liability and long-term borrowings (including current portion)), please refer to Note 6 and consolidated balance sheets.

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Note 6(2)).
- (b) Risk management is carried out by the treasury department under policies approved by the board of directors. The Group's treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment by excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Group used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure via the Group's treasury departments. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward foreign exchange contracts and foreign exchange swap contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and USD). Based on the simulations performed, the impact on pre-tax profit of a 1% exchange rate fluctuation would be an increase of \$518,750 and \$410,217 for the years ended December 31, 2022 and 2021, respectively. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022			December 31, 2021		
	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 3,883,581	30.71	\$ 119,264,773	\$ 4,962,088	27.68	\$ 137,350,596
RMB	571,131	4.41	2,518,688	613,827	4.34	2,664,009
EUR	17,966	32.72	587,848	8,035	31.32	251,656
JPY	1,447,149	0.23	332,844	8,857,030	0.24	2,125,687
HKD	53,706	3.94	211,602	65,269	3.55	231,705
<u>Non-monetary items</u>						
USD	\$ 2,886,671	30.71	\$ 88,649,666	\$ 3,102,225	27.68	\$ 85,869,588
JPY	9,051,976	0.23	2,081,954	8,192,139	0.24	1,966,113
RMB	252,911	4.41	1,115,338	289,659	4.34	1,257,120
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 2,107,450	30.71	\$ 64,719,790	\$ 3,352,724	27.68	\$ 92,803,400
JPY	25,853,886	0.23	5,946,394	35,625,094	0.24	8,550,023
EUR	11,449	32.72	374,611	7,930	31.32	248,368

Note: Exchange rate represents the amount of NT dollars for which one foreign currency could be exchanged.

- iv. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$5,794,907 and \$(50,011), respectively.

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done by the Group in respect of the targets and stages.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks, beneficiary certificates and financial products. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 20% with all other variables held constant, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$929,488 and \$3,646,018, respectively; other comprehensive gains and losses would have increased/decreased by \$1,066,201 and \$1,969,625, respectively.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in the NTD.

- ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.
 - iii. If the borrowing interest rate of NTD had increased/decreased by 0.25% with all other variables held constant, pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by \$89,146 and \$111,113, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost and accounts receivable held by the Group was its carrying amount.
 - ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the managements. The utilization of credit limits is regularly monitored.
 - iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
 - v. The Group classifies customer's accounts receivable in accordance with credit rating of customer, credit risk on trade and customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss.
 - vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) Default or delinquency in interest or principal repayments;
 - (iii) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Group uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable.

According to abovementioned consideration and information, the Group does not expect any significant default possibility of accounts receivable.

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022	
	<u>Accounts receivable</u>	
At January 1	\$	262,610
Provision for impairment		16,158
Effect on exchange rate changes		492
At December 31	<u>\$</u>	<u>279,260</u>
	2021	
	<u>Accounts receivable</u>	
At January 1	\$	209,419
Provision for impairment		53,191
At December 31	<u>\$</u>	<u>262,610</u>

ix. The Group's financial assets at amortized cost have low credit risk, and the Group did not recognize significant loss allowance in accordance with 12 months expected credit losses.

(c) Liquidity risk

- i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group's treasury. Group treasury invests surplus cash in interest bearing savings accounts, time deposits, money market deposits and marketable securities. The Group chooses instruments that are with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. These are expected to readily generate cash inflows for managing liquidity risk.
- iii. The information below analysis the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Lease liability (Note)	\$ 736,175	\$ 1,216,128	\$ 1,022,382	\$ 1,947,699	\$ 4,922,384
Long-term borrowings (including current portion)	8,786,111	26,612,500	259,722	—	35,658,333
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Lease liability (Note)	\$ 719,125	\$ 1,349,526	\$ 1,044,263	\$ 2,361,435	\$ 5,474,349
Long-term borrowings (including current portion)	8,786,833	35,115,277	543,056	—	44,445,166

Note: The Company applied a 1-year grace period for land rental payment starting from September 2020. The payment is repayable in 36 equal monthly installments for 3 years.

Except for the above, the non-derivative and derivative financial liabilities of the Group are all due within one year.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments and financial products is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market and bonds payable is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, accounts receivable (including related parties), other receivables, financial assets at amortized cost, partial other assets-others (including current and non-current portion), accounts payable (including related parties), other payables, lease liability, short-term borrowings and long-term borrowings (including current portion) are approximate to their fair values.

		December 31, 2022		
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial assets:				
Corporate bonds	\$ 6,073,581	\$ —	\$ 5,943,761	\$ —
		December 31, 2021		
	Book value	Level 1	Level 2	Level 3
Financial assets:				
Corporate bonds	\$ 7,693,454	\$ —	\$ 7,830,698	\$ —

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 3,261,581	\$ —	\$ 1,271,077	\$ 4,532,658
Forward foreign exchange contracts	—	342,475	—	342,475
Convertible bonds	—	—	193,988	193,988
Foreign exchange swap contracts	—	43,028	—	43,028
Financial instruments	—	114,782	—	114,782
Financial assets at fair value through other comprehensive income				
Equity securities	5,309,890	—	21,116	5,331,006
	<u>\$ 8,571,471</u>	<u>\$ 500,285</u>	<u>\$ 1,486,181</u>	<u>\$ 10,557,937</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 289,691	\$ —	\$ 289,691
Foreign exchange swap contracts	—	39,490	—	39,490
	<u>\$ —</u>	<u>\$ 329,181</u>	<u>\$ —</u>	<u>\$ 329,181</u>

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,224,882	\$ —	\$ 3,063,428	\$ 4,288,310
Forward foreign exchange contracts	—	54,965	—	54,965
Foreign exchange swap contracts	—	130,283	—	130,283
Beneficiary certificates	13,903,225	—	—	13,903,225
Structured products	—	3,269,530	—	3,269,530
Financial instruments	—	38,553	—	38,553
Financial assets at fair value through other comprehensive income				
Equity securities	9,818,232	—	29,894	9,848,126
	<u>\$ 24,946,339</u>	<u>\$ 3,493,331</u>	<u>\$ 3,093,322</u>	<u>\$ 31,532,992</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	<u>\$ —</u>	<u>\$ 198,896</u>	<u>\$ —</u>	<u>\$ 198,896</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Market quoted price	Listed shares Closing price	Emerging stocks Last transaction price	Corporate bond Weighted average quoted price
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- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts and financial products, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward foreign exchange contracts and foreign exchange swap contracts are usually valued based on the current forward exchange rate. Convertible bonds

derivative instruments are measured by using appropriate option pricing models (binary tree model or Black-Scholes model for convertible bond pricing).

- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.
- F. The following table presents the changes in Level 3 instruments for the years ended December 31, 2022 and 2021:

	2022		
	Equity securities	Hybrid instrument	Total
Financial assets at fair value through profit or loss / Financial assets at fair value through other comprehensive income			
At January 1	\$ 3,093,322	\$ —	\$ 3,093,322
Gains and losses recognized in profit or loss	(1,512,572)	9,441	(1,503,131)
Gains and losses recognized in other comprehensive income	(26,377)	—	(26,377)
Acquired during the year	29,526	178,320	207,846
Investment cost return	(125,260)	—	(125,260)
Transfers to Level 1	(231,827)	—	(231,827)
Effect on exchange rate changes	65,381	6,227	71,608
At December 31	<u>\$ 1,292,193</u>	<u>\$ 193,988</u>	<u>\$ 1,486,181</u>

	2021
Financial assets at fair value through profit or loss / Financial assets at fair value through other comprehensive income	Equity securities
At January 1	\$ 3,477,039
Gains and losses recognized in profit or loss	672,096
Gains and losses recognized in other comprehensive income	4,040,630
Acquired during the year	68,367
Disposed during the year	(115,154)
Proceeds from capital reduction	(99,638)
Transfers to Level 1	(4,937,575)
Effect on exchange rate changes	(12,443)
At December 31	\$ 3,093,322
	2021
Financial liabilities at fair value through profit or loss	Derivative instruments
At January 1	\$ 3,208,560
Gains and losses recognized in profit or loss	2,146,546
Conversion during the year	(5,355,106)
At December 31	\$ —

G. Investment management segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Convertible bonds derivative instruments are evaluated through outsourced appraisal performed by the external valuer.

Investment management segment set up valuation policies, valuation processes, and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$1,209,140	Market comparable companies	Price to sales ratio multiple, price to book ratio multiple	0.86~5.69 (1.30)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%~80% (32%)	The higher the discount for lack of marketability, the lower the fair value
	15,407	Using the last transaction price in an inactive market	Discount for lack of marketability	30% (30%)	The higher the discount for lack of marketability, the lower the fair value
	45,649	Net asset value	Discount for lack of marketability	27% (27%)	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares Private equity fund investment	21,997	Net asset value	Not applicable	Not applicable	Not applicable
Hybrid instrument: Convertible bond	193,988	Discounted cash flow method and Option pricing model	Discount and Volatility rate	4.39%~28. 48% (15.78%)	The higher the volatility, the higher the fair value; the higher the discount rate, the lower the fair value

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Listed/Unlisted shares	\$ 392,225	Market comparable companies	Price to sales ratio multiple, price to book ratio multiple	1.36~5.19 (2.09)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%~80% (35%)	The higher the discount for lack of marketability, the lower the fair value
	2,652,619	Using the last transaction price in an inactive market	Discount for lack of marketability	25%~31% (28%)	The higher the discount for lack of marketability, the lower the fair value
	27,726	Net asset value	Discount for lack of marketability	12% (12%)	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares	20,752	Net asset value	Not applicable	Not applicable	Not applicable
Private equity fund investment					

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

Financial assets	Input	Change	December 31, 2022			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	Liquidity discount	± 1%	\$ 19,245	\$ (19,245)	\$ 302	\$ (302)
Hybrid instrument	Discount and Volatility rate	± 1%	\$ 4,658	\$ (4,506)	\$ —	\$ —

		December 31, 2021				
Financial assets	Input	Change	Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	Liquidity discount	± 1%	\$ 43,912	\$ (43,912)	\$ 427	\$ (427)

(4) Other matter

The Company and the subsidiaries implemented epidemic prevention measures in response to the Covid-19 outbreak and the government's epidemic prevention measures. The epidemic did not make a significant impact on the Group's operations and business for the year ended December 31, 2022.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to Table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to Table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to Table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to Table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 1, 4, 5 and 6.

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: None.

14. SEGMENT INFORMATION

(1) General information

The Group is primarily engaged in the research, development, design, manufacture and sales of TFT-LCD panels, modules and monitors of LCD, color filter, and low temperature poly-silicon TFT-LCD. The Group operates TFT-LCD business only in a single industry. The chief operating decision-maker who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

The Group's operating segment information was prepared in accordance with the Group's accounting policies. The chief operating decision-maker allocated resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax and discontinued operations of individual operating segment.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Years ended December 31,	
	2022	2021
	TFT LCD	TFT LCD
Segment revenue	\$ 223,715,758	\$ 350,076,690
Segment (loss) income	\$ (26,222,453)	\$ 62,411,097
Depreciation and amortization	\$ 32,457,777	\$ 36,300,651
Capital expenditure- property, plant and equipment	\$ 21,048,162	\$ 28,138,827
Segment assets	\$ 383,741,496	\$ 467,519,590

(3) Reconciliation for segment income

In current year, the revenue and income or loss before tax of reportable operating segment are consistent with those of continuing operations.

(4) Information on products

Revenue from external customers is mainly from sale of TFT-LCD products, the sales amount is in agreement with operating revenue.

(5) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 51,261,767	\$ 154,933,938	\$ 84,022,636	\$ 165,878,773
Hong Kong	64,529,052	—	117,554,017	—
US	39,995,184	4,190	40,031,179	6,765
China	25,219,962	41,340,918	40,760,938	30,187,997
Others	42,709,793	927,450	67,707,920	191,109
Total	\$ 223,715,758	\$ 197,206,496	\$ 350,076,690	\$ 196,264,644

(6) Major customer information

There are no individual sales to the Group's customers that exceed 10% of the sales in the statements of comprehensive income for the years ended December 31, 2022 and 2021.

Innolux Corporation and Subsidiaries
Loans to others
For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance as at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Innocom Technology (Shenzhen) Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Other receivables	Yes	\$6,614,934	\$ 6,614,934	\$ 6,614,934	2.00%	Short-term financing	\$ —	Operating support	\$ —	—	\$ —	24,417,738	24,417,738	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo Innolux Optoelectronics Ltd.	Other receivables	Yes	2,204,978	2,204,978	220,498	2.00%	Short-term financing	—	Operating support	—	—	—	24,417,738	24,417,738	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo Innolux Display Ltd.	Other receivables	Yes	3,086,969	3,086,969	2,513,675	2.00%	Short-term financing	—	Operating support	—	—	—	24,417,738	24,417,738	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Shanghai Innolux Optoelectronics Ltd.	Other receivables	Yes	1,322,987	1,322,987	1,146,588	2.00%	Short-term financing	—	Operating support	—	—	—	24,417,738	24,417,738	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Nanjing Innolux Optoelectronics Ltd.	Other receivables	Yes	3,086,969	3,086,969	793,792	2.00%	Short-term financing	—	Operating support	—	—	—	24,417,738	24,417,738	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo CarUX Technology Ltd.	Other receivables	Yes	2,469,575	2,469,575	749,692	2.00%	Short-term financing	—	Operating support	—	—	—	24,417,738	24,417,738	A
2	Innolux Japan Co., Ltd.	Innolux Corporation	Other receivables	Yes	2,311,550	2,311,550	2,311,550	1.00%	Long-term and short-term financing	—	Operating support	—	—	—	7,728,432	7,728,432	A
3	Innolux Holding Limited	Innolux Corporation	Other receivables	Yes	234,046	234,046	234,046	0.00%	Long-term and short-term financing	—	Operating support	—	—	—	37,139,690	37,139,690	A
4	Warriors Technology Investments Ltd	Innolux Corporation	Other receivables	Yes	3,623,780	3,623,780	3,623,780	0.00%	Long-term and short-term financing	—	Operating support	—	—	—	12,205,078	12,205,078	A
5	Innolux Hong Kong Limited	Innolux Hong Kong Holding Limited	Other receivables	Yes	1,701,334	1,701,334	1,701,334	0.00%	Long-term and short-term financing	—	Operating support	—	—	—	3,424,240	3,424,240	A
6	Innolux Hong Kong Holding Limited	CARUX TECHNOLOGY PTE. LTD.	Other receivables	Yes	1,698,263	1,698,263	1,698,263	3.82%	Long-term and short-term financing	—	Operating support	—	—	—	10,166,738	10,166,738	A

Note A:

- 1.For loans obtained for short-term financing, financial limit on loans granted to a single party shall not exceed 10% of the Group's net equity, based on the most recent audited or reviewed financial statements of the creditor.
- 2.The financial limit on loans granted shall not exceed 40% of the creditor's net equity. If it is for short-term capital needs, the limit shall not exceed 30% of the creditor's net equity, based on the most recent audited or reviewed financial statements of the creditor.
- 3.The policy for loans granted to direct or indirect wholly-owned ultimate parent company or overseas subsidiaries is as follows: for short-term capital needs, financial limit is not restricted to the abovementioned two rules, however, financial limit on total loans granted and limit on loans granted to a single party for the overseas subsidiaries should not exceed 200% of the creditor's net equity.

Innolux Corporation and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Shares/Units	Book value	Ownership (%)	Fair value	
	Common stock							
Innolux Corporation	AvanStrate Inc.	None	Financial assets at fair value through profit or loss	900,000	\$ 10,789	1	\$ 10,789	
Innolux Corporation	TPV Technology Limited	None	Financial assets at fair value through profit or loss	60,200,000	1,115,187	3	1,115,187	
Innolux Corporation	Chi Lin Optoelectronics Co., Ltd.	Other related party	Financial assets at fair value through profit or loss	4,270,212	45,649	19	45,649	
Innolux Corporation	Cheng Mei Materials Technology Corporation	None	Financial assets at fair value through profit or loss	57,211,305	564,103	8	564,103	
Innolux Corporation	General Interface Solution (GIS) Holding Limited	None	Financial assets at fair value through profit or loss	1,669,000	146,872	—	146,872	
Innolux Corporation	Obsidian Sensors, Inc.	None	Financial assets at fair value through profit or loss	477,142	6,158	12	6,158	
Innolux Corporation	VIZIO Holding Corp.	None	Financial assets at fair value through other comprehensive income	8,347,068	1,899,468	4	1,899,468	
Innolux Corporation	Cathay Financial Holding Co., Ltd. Preferred Stock A	None	Financial assets at fair value through other comprehensive income	1,027,000	58,128	—	58,128	
Innolux Corporation	TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Stock E	None	Financial assets at fair value through other comprehensive income	263,000	13,571	—	13,571	
Innolux Corporation	Chailease Holding Company Limited Class A Preferred Shares	None	Financial assets at fair value through other comprehensive income	674,000	65,985	—	65,985	
Innolux Corporation	Fubon Financial Holding Co., Ltd. Preferred Shares B	None	Financial assets at fair value through other comprehensive income	1,110,000	63,825	—	63,825	
Innolux Corporation	ENNOSTAR Inc.	None	Financial assets at fair value through profit or loss	2,750,000	123,063	—	123,063	
Yuan Chi Investment Co., Ltd.	Trillion Science, Inc.	None	Financial assets at fair value through profit or loss	1,439,180	—	3	—	
Yuan Chi Investment Co., Ltd.	Cheng Mei Materials Technology Corporation	None	Financial assets at fair value through profit or loss	315,000	3,106	—	3,106	
Yuan Chi Investment Co., Ltd.	WPG Holdings Limited Preferred Share A	None	Financial assets at fair value through other comprehensive income	1,520,000	74,480	1	74,480	
Yuan Chi Investment Co., Ltd.	WT MICROELECTRONICS CO., LTD. Preferred Shares A	None	Financial assets at fair value through other comprehensive income	176,000	8,404	—	8,404	
Yuan Chi Investment Co., Ltd.	VISIONATICS INC.	Other related party	Financial assets at fair value through other comprehensive income	300,000	1,673	10	1,673	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Shares/Units	Book value	Ownership (%)	Fair value	
	<u>Common stock</u>							
Yuan Chi Investment Co., Ltd.	Clarix Imaging Corporation	None	Financial assets at fair value through profit or loss	113,033	\$ 2,105	1	\$ 2,105	
InnoJoy Investment Corporation	Advanced Optoelectronic Technology, Inc.	None	Financial assets at fair value through profit or loss	6,964,222	118,740	5	118,740	
InnoJoy Investment Corporation	ENNOSTAR Inc.	None	Financial assets at fair value through profit or loss	954,000	42,692	—	42,692	
InnoJoy Investment Corporation	EPILEDS Co., Ltd.	Other related party	Financial assets at fair value through other comprehensive income	7,347,144	104,329	7	104,329	
InnoJoy Investment Corporation	Fitipower Integrated Technology Inc.	None	Financial assets at fair value through other comprehensive income	9,000,000	1,039,500	5	1,039,500	
Ningbo Innolux Optoelectronics Ltd.	上海辰岱投資中心(有限合夥)	None	Financial assets at fair value through profit or loss	—	—	—	—	
Ningbo Innolux Optoelectronics Ltd.	Shenzhen Tiandeyu Electronics Co., Ltd.	None	Financial assets at fair value through profit or loss	30,599,775	2,263,005	8	2,263,005	
Warriors Technology Investments Ltd	OED Holding Ltd.	None	Financial assets at fair value through profit or loss	16,000,000	40,042	6	40,042	
Warriors Technology Investments Ltd	Obsidian Sensors, Inc.	None	Financial assets at fair value through profit or loss	414,136	5,345	11	5,345	
Warriors Technology Investments Ltd	Reco Technology Holding Limited	None	Financial assets at fair value through profit or loss	2,016,000	23,805	3	23,805	
Warriors Technology Investments Ltd	Kymeta Corporation	None	Financial assets at fair value through other comprehensive income	1,027,371	15,407	—	15,407	
Warriors Technology Investments Ltd	General Interface Solution (GIS) Holding Limited	None	Financial assets at fair value through other comprehensive income	22,525,000	1,982,200	7	1,982,200	
Warriors Technology Investments Ltd	CJK Associates Co., Ltd.	None	Financial assets at fair value through other comprehensive income	4,000	693	14	693	
Warriors Technology Investments Ltd	Perinnova Limited	Other related party	Financial assets at fair value through other comprehensive income	1,900	—	19	—	
Warriors Technology Investments Ltd	KA Imaging Inc.	Other related party	Financial assets at fair value through other comprehensive income	1,819,240	3,343	12	3,343	
Nets Trading Ltd.	PilotTech Global Fund	None	Financial assets at fair value through profit or loss	90	21,997	—	21,997	
	<u>Convertible bonds</u>							
Warriors Technology Investments Ltd	KA Imaging Inc.	Other related party	Financial assets at fair value through profit or loss	—	98,808	Not applicable	98,808	
Warriors Technology Investments Ltd	Obsidian Sensors, Inc.	None	Financial assets at fair value through profit or loss	—	95,180	Not applicable	95,180	
	<u>Financial products</u>							
Innolux Corporation	Fixed Income RMB-Structured Deposits	None	Financial assets at amortized cost	—	485,038	Not applicable	485,038	
Innolux Corporation	Fixed Income Structured Linked Deposit	None	Financial assets at amortized cost	—	1,535,500	Not applicable	1,535,500	
Ningbo Innolux Display Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	—	8,455	Not applicable	8,455	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Shares/Units	Book value	Ownership (%)	Fair value	
	<u>Financial products</u>							
Foshan Innolux Optoelectronics Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	—	\$ 31,813	Not applicable	\$ 31,813	
Ningbo Innolux Electronics Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	—	272	Not applicable	272	
Ningbo Innolux Optoelectronics Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	—	41,300	Not applicable	41,300	
Ningbo CarUX Technology Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	—	1,327	Not applicable	1,327	
Nanjing Innolux Optoelectronics Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	—	17,913	Not applicable	17,913	
Innocom Technology (Shenzhen) Co., Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	—	7,917	Not applicable	7,917	
Shanghai Innolux Optoelectronics Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	—	5,785	Not applicable	5,785	
	<u>Bonds</u>							
Innolux Corporation	Taiwan Mobile Co., Ltd.	None	Financial assets at amortized cost	—	200,329	Not applicable	199,960	
Innolux Corporation	Nan Ya Plastics Corporation	None	Financial assets at amortized cost	—	125,442	Not applicable	124,887	
Innolux Corporation	Highwealth Construction corp.	None	Financial assets at amortized cost	—	250,586	Not applicable	249,975	
Innolux Corporation	Far Eastern New Century Corporation Co., Ltd.	None	Financial assets at amortized cost	—	125,339	Not applicable	124,875	
Innolux Corporation	Far Eastone Telecommunications, 2017, Third	None	Financial assets at amortized cost	—	100,285	Not applicable	99,970	
Innolux Corporation	Far Eastone Telecommunications, 2018, First	None	Financial assets at amortized cost	—	100,177	Not applicable	99,980	
Innolux Corporation	Taipei Financial Center Corporation	None	Financial assets at amortized cost	—	200,029	Not applicable	199,980	
Innolux Corporation	Taiwan Semiconductor Manufacturing Co., Ltd.	None	Financial assets at amortized cost	—	100,013	Not applicable	99,990	
Innolux Corporation	ADCB Finance Cayman LTD.	None	Financial assets at amortized cost	—	154,912	Not applicable	153,191	
Innolux Corporation	Agricultural Bank of China (New York Branch)	None	Financial assets at amortized cost	—	292,361	Not applicable	279,977	
Innolux Corporation	Arab Petroleum Investments Corporation	None	Financial assets at amortized cost	—	168,609	Not applicable	162,794	
Innolux Corporation	Bank of Communications (Hong Kong Branch)	None	Financial assets at amortized cost	—	184,774	Not applicable	184,561	
Innolux Corporation	Daimler Finance North America LLC	None	Financial assets at amortized cost	—	155,276	Not applicable	152,804	
Innolux Corporation	Doosan Infracore Co., Ltd.	None	Financial assets at amortized cost	—	246,308	Not applicable	240,346	
Innolux Corporation	Emirates NBD Bank PJSC	None	Financial assets at amortized cost	—	307,100	Not applicable	300,348	
Innolux Corporation	FAB Sukuk Co. Ltd.	None	Financial assets at amortized cost	—	247,081	Not applicable	245,046	
Innolux Corporation	GS Caltex Corporation	None	Financial assets at amortized cost	—	156,016	Not applicable	152,575	
Innolux Corporation	Hyundai Capital America	None	Financial assets at amortized cost	—	37,365	Not applicable	36,572	
Innolux Corporation	Industrial and Commercial Bank of China Limited (Hong Kong Branch)	None	Financial assets at amortized cost	—	276,960	Not applicable	270,712	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Shares/Units	Book value	Ownership (%)	Fair value	
	<u>Bonds</u>							
Innolux Corporation	KIA Corporation	None	Financial assets at amortized cost	—	\$ 299,324	Not applicable	\$ 295,106	
Innolux Corporation	Korea Resources Corporation	None	Financial assets at amortized cost	—	310,206	Not applicable	306,131	
Innolux Corporation	NongHyup Bank	None	Financial assets at amortized cost	—	186,388	Not applicable	181,387	
Innolux Corporation	POSCO	None	Financial assets at amortized cost	—	281,750	Not applicable	274,157	
Innolux Corporation	Saudi Electricity Global SUKUK Company 4	None	Financial assets at amortized cost	—	286,768	Not applicable	273,937	
Innolux Corporation	Shinhan Bank	None	Financial assets at amortized cost	—	284,358	Not applicable	273,715	
Innolux Corporation	Siam Commercial Bank Cayman Islands	None	Financial assets at amortized cost	—	212,201	Not applicable	208,592	
Innolux Corporation	Sinopec Capital 2013 LTD.	None	Financial assets at amortized cost	—	35,289	Not applicable	34,808	
Innolux Corporation	SK broadband CO. LTD.	None	Financial assets at amortized cost	—	156,751	Not applicable	152,378	
Innolux Corporation	Societe Generale SA	None	Financial assets at amortized cost	—	283,620	Not applicable	274,122	
Innolux Corporation	Sumitomo Mitsui Trust Bank	None	Financial assets at amortized cost	—	307,964	Not applicable	290,885	

Innolux Corporation and Subsidiaries
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2022 (Note 6)		
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Selling price	Book value	Gain (loss) on disposal	Shares/Units	Amount
Innolux Corporation	Taishin Ta-Chong Money Market Fund	Note 4	—	—	69,820,457	\$1,001,951	—	\$ —	69,820,457	\$ 1,004,968	\$1,004,968	\$ —	—	\$ —
Innolux Corporation	Jih Sun Money Market Fund	Note 4	—	—	150,267,533	2,252,075	—	—	150,267,533	2,259,483	2,259,483	—	—	—
Innolux Corporation	Capital Money Market Fund	Note 4	—	—	92,184,251	1,502,336	—	—	92,184,251	1,507,056	1,507,056	—	—	—
Innolux Corporation	Union Money Market Fund	Note 4	—	—	66,065,266	881,066	—	—	66,065,266	884,178	884,178	—	—	—
Innolux Corporation	Taishin 1699 Money Market Fund	Note 4	—	—	180,718,346	2,471,974	—	—	180,718,346	2,480,938	2,480,938	—	—	—
Innolux Corporation	FSITC Money Market Fund	Note 4	—	—	5,164,587	930,746	—	—	5,164,587	933,318	933,318	—	—	—
Innolux Corporation	Mega Diamond Money Market Fund	Note 4	—	—	181,530,803	2,301,375	—	—	181,530,803	2,308,636	2,308,636	—	—	—
Innolux Corporation	FSITC Taiwan Money Market	Note 4	—	—	90,561,003	1,401,096	—	—	90,561,003	1,405,525	1,405,525	—	—	—
Innolux Corporation	Yuanta De-Li Money Market Fund	Note 4	—	—	18,225,781	300,186	—	—	18,225,781	301,214	301,214	—	—	—
Innolux Corporation	Hua Nan Phoenix Money Market Fund	Note 4	—	—	46,301,937	760,259	—	—	46,301,937	762,982	762,982	—	—	—
Innolux Corporation	Fixed Income Structured Linked Deposit	Note 5	—	—	—	4,705,600	—	—	—	4,792,941	4,699,650	93,291	—	—
Innolux Corporation	Fixed Income Structured Linked Deposit	Note 5	—	—	—	—	—	1,490,250	—	1,508,402	1,490,250	18,152	—	—
Innolux Corporation	Fixed Income Structured Linked Deposit	Note 5	—	—	—	—	—	1,594,750	—	—	—	—	—	1,535,500

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2022 (Note 6)		
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Selling price	Book value	Gain (loss) on disposal	Shares/Units	Amount
Ningbo Innolux Optoelectronics Ltd.	Floating Income RMB-Structured Deposits	Note 4	—	—	—	\$1,315,317	—	\$ —	—	\$ 1,308,119	\$1,308,119	\$ —	—	\$ —
Ningbo Innolux Optoelectronics Ltd.	Floating Income RMB-Structured Deposits	Note 4	—	—	—	1,954,213	—	—	—	1,944,648	1,944,648	—	—	—

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for using the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Code of general ledger account is "financial assets at fair value through profit or loss". Due to adoption of IFRS, it would be valued at fair value rather than recognized disposal gain or loss.

Note 5: Code of general ledger account is "financial assets at amortized cost". The gain or loss due to disposal is interest income.

Note 6: The carrying amount as at December 31, 2022 included gains or losses on valuation.

Innolux Corporation and Subsidiaries
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	Sales	\$ 14,285,493	7	60 days	Similar with general sales	No material difference	\$ 8,636,351	24	
Innolux Corporation	Innolux USA Inc.	An indirect wholly-owned subsidiary	Sales	13,596,799	7	120 days	Similar with general sales	No material difference	2,707,347	7	
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	1,678,216	1	60-90 days	Similar with general sales	No material difference	59,044	—	
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Sales	1,088,144	1	90 days	Similar with general sales	No material difference	239,433	1	
Innolux Corporation	HONGFUJIN PRECISION ELECTRONICS (YANTAI) CO., LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	1,004,164	1	60 days	Similar with general sales	No material difference	284,302	1	
Innolux Corporation	InnoCare Optoelectronics Corporation	A subsidiary of the Company	Sales	485,000	—	90 days	Similar with general sales	No material difference	131,258	—	
Innolux Corporation	PanelSemi Corporation	Associates	Sales	382,607	—	60 days	Similar with general sales	No material difference	76,578	—	
Innolux Corporation	Honfujin Precision Electronics (Chongqing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	363,565	—	45 days	Similar with general sales	No material difference	44,127	—	
Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	184,656	—	90 days	Similar with general sales	No material difference	—	—	
Innolux Corporation	Innolux Japan Co., Ltd.	A subsidiary of the Company	Sales	169,530	—	60 days	Similar with general sales	No material difference	13,318	—	
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	508,674	—	90 days	Single purchases target, no basis for comparison	No material difference	(351,866)	1	
Innolux Corporation	FORTUNEBAY TECHNOLOGY PTE LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	161,574	—	60 days	Single purchases target, no basis for comparison	No material difference	(38,616)	—	
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Processing expense	26,847,900	12	60 days	Cost plus	No material difference	(3,036,042)	9	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Innolux Corporation	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	Processing expense	\$ 21,075,839	10	60 days	Cost plus	No material difference	\$ (2,614,755)	8	
Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Processing expense	20,459,820	9	60 days	Cost plus	No material difference	(6,315,270)	19	
Innolux Corporation	Nanjing Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Processing expense	10,780,704	5	60 days	Cost plus	No material difference	(2,582,151)	8	
Innolux Corporation	Ningbo CarUX Technology Ltd.	An indirect wholly-owned subsidiary	Processing expense	1,046,685	—	60 days	Cost plus	No material difference	(116,848)	—	
Innolux Corporation	Innocom Technology (Shenzhen) Co., Ltd.	An indirect wholly-owned subsidiary	Processing expense	363,236	—	60 days	Cost plus	No material difference	(438,899)	2	
Shanghai Innolux Optoelectronics Ltd.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	Processing revenue	9,915,759	79	60 days	Similar with general transactions	No material difference	1,266,921	63	
CarUX Technology Inc.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	Processing revenue	8,202,602	100	60 days	Similar with general transactions	No material difference	2,142,022	98	
Innolux Japan Co., Ltd.	Innolux Corporation	Ultimate parent company	Service revenue	290,198	59	60 days	Similar with general transactions	No material difference	47,846	82	
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	Sales	6,824,316	17	60 days	Similar with general transactions	No material difference	557,713	8	
Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	1,370,786	4	60 days	Similar with general transactions	No material difference	87,780	2	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	An indirect wholly-owned subsidiary	Sales	676,264	41	60 days	Similar with general transactions	No material difference	240,817	56	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	An indirect wholly-owned subsidiary	Sales	394,403	24	60 days	Similar with general transactions	No material difference	67,105	15	
InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	An indirect wholly-owned subsidiary	Sales	227,435	14	60 days	Similar with general transactions	No material difference	43,082	10	
Ningbo Innolux Display Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,732,954	5	90 days	Similar with general transactions	No material difference	(260,648)	5	
Ningbo Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,566,932	4	90 days	Similar with general transactions	No material difference	(263,603)	6	
Ningbo Innolux Display Ltd.	PanelSemi Corporation	Associates	Purchases	211,771	1	60 days	Similar with general transactions	No material difference	(45,239)	1	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Ningbo Innolux Optoelectronics Ltd.	FORTUNEBAY TECHNOLOGY PTE LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	\$ 112,271	—	60 days	Similar with general transactions	No material difference	\$ (62,340)	2	
Nanjing Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	110,996	1	90 days	Similar with general transactions	No material difference	(35,938)	3	
Foshan Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	107,328	—	90 days	Similar with general transactions	No material difference	(22,934)	—	
Innolux Europe B.V.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	Service revenue	841,485	99	60 days	Similar with general transactions	No material difference	140,133	99	

Innolux Corporation and Subsidiaries
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022 (Note A)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	\$ 8,636,351	2.25	\$ 3,604,698	Subsequent collection	\$ 1,198,355	\$ —
Innolux Corporation	Innolux USA Inc.	An indirect wholly-owned subsidiary	2,707,347	4.35	707,536	Subsequent collection	1,063,951	—
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	359,471	—	103,728	Subsequent collection	1,692	—
Innolux Corporation	HONGFUJIN PRECISION ELECTRONICS (YANTAI) CO., LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	(Shown as other receivables) 284,302	5.07	—	—	182,908	—
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	239,433	1.92	3,673	Subsequent collection	49,248	—
Innolux Corporation	CarUX Technology Inc.	An indirect wholly-owned subsidiary	(Shown as other receivables) 214,551	—	178,436	Subsequent collection	—	—
Innolux Corporation	InnoCare Optoelectronics Corporation	A subsidiary of the Company	131,258	1.58	—	—	56,054	—
Ningbo Innolux Optoelectronics Ltd.	Innolux Corporation	Ultimate parent company	6,315,270	3.19	2,397,662	Subsequent collection	430,727	—
Foshan Innolux Optoelectronics Ltd.	Innolux Corporation	Ultimate parent company	3,036,042	7.16	—	—	2,057,586	—
Ningbo Innolux Display Ltd.	Innolux Corporation	Ultimate parent company	2,614,755	4.71	—	—	1,996,453	—
Nanjing Innolux Optoelectronics Ltd.	Innolux Corporation	Ultimate parent company	2,582,151	8.35	463,939	Subsequent collection	441,515	—

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022 (Note A)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CarUX Technology Inc.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	\$ 2,142,022	4.12	\$ —	—	\$ 1,228,421	\$ —
Shanghai Innolux Optoelectronics Ltd.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	1,266,921	7.64	—	—	1,266,921	—
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	557,713	6.76	—	—	270,703	—
Innocom Technology (Shenzhen) Co., Ltd.	Innolux Corporation	Ultimate parent company	438,899	0.96	390,503	Subsequent collection	—	—
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	An indirect wholly-owned subsidiary	240,817	5.99	5,461	Subsequent collection	123,037	—
Innolux Europe B.V.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	140,133	5.93	74,674	Subsequent collection	—	—
Ningbo CarUX Technology Ltd.	Innolux Corporation	Ultimate parent company	116,848	10.90	—	—	116,848	—

Note A : For the information on receivables of loans to related parties reaching NT\$100 million or 20% of paid-in capital or more, please refer to Table 1.

Innolux Corporation and Subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note A)	Company name	Counterparty	Relationship (Note B)	Transaction (Note D and E)			
				General ledger account	Amount	Transaction terms (Note C)	Percentage of consolidated total operating revenues or total assets
0	Innolux Corporation	Innocom Technology (Shenzhen) Co., Ltd.	1	Processing expense	\$ 363,236	—	—
0	Innolux Corporation	Innocom Technology (Shenzhen) Co., Ltd.	1	Accrued expenses	(438,899)	—	—
0	Innolux Corporation	Nanjing Innolux Optoelectronics Ltd.	1	Processing expense	10,780,704	—	5
0	Innolux Corporation	Nanjing Innolux Optoelectronics Ltd.	1	Accrued expenses	(2,582,151)	—	1
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Sales	184,656	—	—
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Processing expense	20,459,820	—	9
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Accrued expenses	(6,315,270)	—	2
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Sales	1,678,216	—	1
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Processing expense	26,847,900	—	12
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Accrued expenses	(3,036,042)	—	1
0	Innolux Corporation	Ningbo Innolux Display Ltd.	1	Processing expense	21,075,839	—	9
0	Innolux Corporation	Ningbo Innolux Display Ltd.	1	Accrued expenses	(2,614,755)	—	1
0	Innolux Corporation	Innolux Japan Co., Ltd.	1	Sales	169,530	—	—
0	Innolux Corporation	Innolux USA Inc.	1	Sales	13,596,799	—	6
0	Innolux Corporation	Innolux USA Inc.	1	Accounts receivable	2,707,347	—	1
0	Innolux Corporation	CarUX Technology Inc.	1	Other receivables	214,551	—	—
0	Innolux Corporation	InnoCare Optoelectronics Corporation	1	Sales	485,000	—	—
0	Innolux Corporation	InnoCare Optoelectronics Corporation	1	Accounts receivable	131,258	—	—
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Sales	14,285,493	—	6
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Service revenue	322,919	—	—

Number (Note A)	Company name	Counterparty	Relationship (Note B)	Transaction (Note D and E)			
				General ledger account	Amount	Transaction terms (Note C)	Percentage of consolidated total operating revenues or total assets
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Accounts receivable	\$ 8,636,351	—	2
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Other receivables	359,471	—	—
0	Innolux Corporation	Ningbo CarUX Technology Ltd.	1	Processing expense	1,046,685	—	—
0	Innolux Corporation	Ningbo CarUX Technology Ltd.	1	Accrued expenses	(116,848)	—	—
1	Shanghai Innolux Optoelectronics Ltd.	CARUX TECHNOLOGY PTE. LTD.	3	Processing revenue	9,915,759	—	4
1	Shanghai Innolux Optoelectronics Ltd.	CARUX TECHNOLOGY PTE. LTD.	3	Accounts receivable	1,266,921	—	—
2	Innolux Europe B.V.	CARUX TECHNOLOGY PTE. LTD.	3	Service revenue	841,485	—	—
2	Innolux Europe B.V.	CARUX TECHNOLOGY PTE. LTD.	3	Accounts receivable	140,133	—	—
3	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	3	Sales	6,824,316	—	3
3	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	3	Accounts receivable	557,713	—	—
4	Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	3	Sales	1,370,786	—	1
5	Innolux Japan Co., Ltd.	Innolux Corporation	3	Service revenue	290,198	—	—
6	CarUX Technology Inc.	CARUX TECHNOLOGY PTE. LTD.	3	Processing revenue	8,202,602	—	4
6	CarUX Technology Inc.	CARUX TECHNOLOGY PTE. LTD.	3	Accounts receivable	2,142,022	—	1
7	InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	3	Sales	227,435	—	—
7	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	3	Sales	676,264	—	—
7	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	3	Accounts receivable	240,817	—	—
7	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	3	Sales	394,403	—	—

Note A: The information of transactions between the Company and the consolidated subsidiaries should be noted in “Number” column.

(1) Number 0 represents the parent company.

(2) The subsidiaries are numbered in order from number 1.

Note B: 1 refers to the parent company to the subsidiary.

3 refers to the subsidiary to the subsidiary.

Note C: Except for no comparable transactions from related parties, sales prices were similar to non-related parties transactions and the collection period was mainly 30~120 days; the purchases from related parties were at market prices and payment term was 30~120 days upon receipt of goods.

Note D: Amount disclosure standard: purchases, sales and receivables from related parties in excess of \$100 million or 20% of capital.

Note E: For the information on transactions between the Company and the consolidated subsidiaries relating to nature of loan, please refer to Table 1.

Innolux Corporation and Subsidiaries
Information on investees
For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Innolux Corporation	Innolux Holding Limited	Samoa	Investment holdings	\$ 6,192,509	\$ 6,192,509	180,568,185	100	\$ 18,569,845	\$ 262,774	\$ 262,774	
Innolux Corporation	Keyway Investment Management Limited	Samoa	Investment holdings	62,197	62,197	1,656,410	100	108,042	7,553	7,553	
Innolux Corporation	Landmark International Ltd.	Samoa	Investment holdings	33,438,542	33,438,542	709,450,000	100	55,243,844	4,640,996	4,640,996	
Innolux Corporation	Toppoly Optoelectronics (B.V.I.) Ltd.	BVI	Investment holdings	3,674,115	3,674,115	146,847,000	100	6,631,666	347,997	347,997	
Innolux Corporation	Innolux Hong Kong Holding Limited	Hong Kong	Investment holdings	3,231,780	3,231,780	1,158,844,000	100	4,984,990	(1,158,721)	(1,157,113)	
Innolux Corporation	Innolux Singapore Holding Pte. Ltd.	Singapore	Investment holdings	754,943	754,943	25,400,000	100	156,225	(83,839)	(83,839)	
Innolux Corporation	Yuan Chi Investment Co., Ltd.	Taiwan	Investment company	1,217,235	1,217,235	—	100	849,226	(23,718)	(23,718)	
Innolux Corporation	InnoJoy Investment Corporation	Taiwan	Investment company	1,674,054	1,674,054	167,405,392	100	2,309,803	62,083	62,083	
Innolux Corporation	InnoCare Optoelectronics Corporation	Taiwan	Holdings, R&D, manufacturing and distribution company	205,000	205,000	20,500,000	57	468,187	198,717	115,656	
Innolux Corporation	Innolux Japan Co., Ltd.	Japan	Holdings, R&D and distribution company	1,682,751	1,682,751	98	54	2,103,679	232,217	126,419	
Innolux Corporation	iZ3D, Inc.	USA	Research and development and sale of 3D flat monitor	—	—	4,333	35	—	—	—	
Innolux Corporation	GIO Optoelectronics Corp.	Taiwan	Holdings, R&D, manufacturing and distribution company	451,168	451,168	41,288,528	76	409,914	(20,019)	(15,299)	
Innolux Corporation	INStek Corporation	Taiwan	R&D, manufacturing and distribution company	35,300	35,300	2,647,507	40	27,611	(5,095)	(2,038)	
Innolux Corporation	Ampower Holding Ltd.	Cayman	Investment holdings	1,717,714	1,717,714	14,062,500	50	904,206	4,232	2,116	
Innolux Corporation	FI Medical Device Manufacturing Co., Ltd.	Taiwan	Production and selling of the absorption for medical element	73,500	73,500	7,350,000	49	304,356	121,372	59,472	
Innolux Corporation	eLux Inc.	USA	R&D of MicroLED technology	91,155	91,155	300,000	28	20,362	73,791	13,023	
Innolux Corporation	PanelSemi Corporation	Taiwan	Manufacturing of electronic parts	250,000	250,000	25,000,000	45	162,329	(178,930)	(81,332)	
Innolux Holding Limited	Rockets Holding Limited	Samoa	Investment holdings	5,222,180	5,222,180	160,504,550	100	12,233,230	199,679	199,679	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Innolux Holding Limited	Suns Holding Ltd	Samoa	Investment holdings	\$ 555,422	\$ 555,422	18,177,052	100	\$ 6,102,541	\$ 63,095	\$ 63,095	
Toppoly Optoelectronics (B.V.I.) Ltd.	Toppoly Optoelectronics (Cayman) Ltd.	Cayman	Investment holdings	3,650,192	3,650,192	146,817,000	100	6,631,307	347,997	347,997	
Innolux Hong Kong Holding Limited	Innolux Hong Kong Limited	Hong Kong	Distribution company	—	—	35,000,000	100	1,712,120	(1,866)	(1,866)	
Innolux Hong Kong Holding Limited	Innolux Japan Co., Ltd.	Japan	Holdings, R&D and distribution company	1,815,603	1,815,603	82	46	1,760,537	232,217	105,798	
Innolux Hong Kong Holding Limited	CarUX Holding Limited	Cayman	Investment holdings	3,772,473	3,772,473	125,231,749	100	1,609,488	(1,263,066)	(1,263,066)	
CarUX Holding Limited	CARUX TECHNOLOGY PTE. LTD.	Singapore	Holdings and distribution company	3,769,371	3,769,371	125,131,749	100	1,608,067	(1,261,879)	(1,261,879)	
CARUX TECHNOLOGY PTE. LTD.	Innolux Optoelectronics Hong Kong Holding Limited	Hong Kong	Investment holdings	1,818,180	1,818,180	162,897,802	100	2,255,634	113,615	216,472	
CARUX TECHNOLOGY PTE. LTD.	Innolux Europe B.V.	Netherlands	Holding, distribution and R&D testing company	464,341	464,341	375,810	100	495,090	41,111	41,111	
CARUX TECHNOLOGY PTE. LTD.	CarUX Technology Inc.	Taiwan	R&D, manufacturing and distribution company	1,400,000	1,400,000	140,000,000	100	1,913,980	326,404	493,270	
Innolux Japan Co., Ltd.	Innolux USA Inc.	USA	Distribution company	369,092	369,092	12,842	100	1,131,446	130,450	130,450	
Rockets Holding Limited	Stanford Developments Limited	Samoa	Investment holdings	5,391,125	5,391,125	164,000,000	100	12,208,921	200,676	200,676	
Rockets Holding Limited	Nets Trading Ltd.	Samoa	Investment company	27,477	27,477	900,001	100	24,172	(997)	(997)	
Suns Holding Ltd	Warriors Technology Investments Ltd	Samoa	Investment company	555,422	555,422	18,177,052	100	6,102,539	63,095	63,095	
Innolux Europe B.V.	Innolux Technology Germany GmbH	Germany	Testing and maintenance company	33,735	33,735	100,000	100	25,290	4,225	4,225	
Innolux Singapore Holding Pte. Ltd.	INNOLUX OPTOELECTRONICS INDIA PRIVATE LIMITED	India	Distribution company	607,284	607,284	144,095,499	100	6,663	(79,905)	(79,905)	
Innolux Singapore Holding Pte. Ltd.	INNOLUX OPTOELECTRONICS PHILIPPINES CORP.	Philippines	Manufacturer and distribution company	—	28,733	—	—	—	(3)	(3)	
Yuan Chi Investment Co., Ltd.	INNOLUX OPTOELECTRONICS INDIA PRIVATE LIMITED	India	Distribution company	—	—	1	—	—	(79,905)	—	
Yuan Chi Investment Co., Ltd.	GIO Optoelectronics Corp.	Taiwan	Holdings, R&D, manufacturing and distribution company	858	858	77,235	—	779	(20,019)	(29)	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Yuan Chi Investment Co., Ltd.	InnVasLinx Inc.	Taiwan	E-Paper Module/Assembly	\$ 6,829	\$ —	599,799	45	\$ 6,492	\$ 602	\$ (338)	
InnoJoy Investment Corporation	Inno Capital Corporation	Taiwan	Investment company	15,000	15,000	1,500,000	100	16,635	448	448	
InnoJoy Investment Corporation	CDIB-Innolux Limited Partnership	Taiwan	Investment company	122,561	47,139	—	16	131,114	(16,525)	(2,723)	
Inno Capital Corporation	CDIB-Innolux Limited Partnership	Taiwan	Investment company	7,439	2,861	—	1	7,958	(16,525)	(165)	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Japan	Distribution company	87,149	87,149	30,010	100	99,823	25,604	25,604	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	USA	Distribution company	27,963	27,963	900,000	100	33,491	3,783	3,783	
InnoCare Optoelectronics Corporation	Innocare Optoelectronics Europe B.V.	Netherlands	After-sales service company	1,661	1,661	500	100	2,718	640	640	
GIO Optoelectronics Corp.	Double Star Inc.	Mauritius	Investment holdings	298,113	298,113	10,000,000	100	103,289	3,840	3,840	

Innolux Corporation and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2022

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note A)	Investment method (Note C)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 (Note B)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Innocom Technology (Shenzhen) Co., Ltd.	Manufacturing and selling of LCD backend module and related components	\$ 5,036,440	2	\$ 3,897,459	\$ —	\$ —	\$ 3,897,459	\$ 200,676	100	\$ 200,676	\$ 12,208,869	\$ 1,138,981	2.1
Ningbo Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	9,520,100	2	226,181	—	—	226,181	3,088,258	100	3,088,258	25,619,829	5,301,619	2.2
Foshan Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	11,761,930	2	11,761,930	—	—	11,761,930	828,043	100	830,370	23,131,916	—	2.2
Ningbo Innolux Display Ltd.	Manufacturing and selling of LCD backend module and related components	4,913,600	2	4,913,600	—	—	4,913,600	722,365	100	722,365	6,490,934	—	2.2
Nanjing Innolux Technology Ltd.	Purchases and sales of monitor-related components company	64,491	2	64,491	—	—	64,491	6,570	100	6,570	646,798	—	2.3
Nanjing Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	4,790,760	2	4,423,333	—	—	4,423,333	341,427	100	341,427	5,984,488	—	2.3
Shanghai Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	644,910	2	—	—	—	—	113,615	100	113,615	2,247,340	—	2.4
Foshan Innolux Logistics Ltd.	Warehousing services	46,065	2	46,065	—	—	46,065	7,486	100	7,486	102,961	—	2.5
GIO (Maanshan) Optoelectronics Co., Ltd.	Manufacturing	307,100	2	307,100	—	—	307,100	3,852	77	2,949	79,104	—	2.6
Ningbo CarUX Technology Ltd.	Manufacturing and selling of LCD backend module and related components	1,234,632	3	—	—	—	—	4,767	100	5,518	1,043,757	—	
Ningbo Innolux Electronics Ltd.	Manufacturing and selling of medical equipment	67,772	1	97,412	—	—	97,412	4,415	57	2,529	62,999	—	

Ceiling on investments in Mainland China:

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Innolux Corporation	\$ 22,492,357	\$ 30,620,133	(Note D)

Note A: The relevant figures were listed in NT\$. Where foreign currencies were involved, the figures were converted to NT\$ using exchange rate.

Note B: Profit or loss recognized for the year ended December 31, 2022 was audited by independent auditors.

Note C: The investment methods are as follows:

1. Directly investing in Mainland China.
2. Through investing in companies in the third area, which then invested in the investee in Mainland China.
 - 2.1. Through investing in Stanford Developments Limited in the third area, which then invested in the investee in Mainland China.
 - 2.2. Through investing in Landmark International Ltd. in the third area, which then invested in the investee in Mainland China.
 - 2.3. Through investing in Toppoly Optoelectronics (Cayman) Ltd. in the third area, which then invested in the investee in Mainland China.
 - 2.4. Through investing in Innolux Optoelectronics Hong Kong Holding Limited in the third area, which then invested in the investee in Mainland China.
 - 2.5. Through investing in Keyway Investment Management Limited in the third area, which then invested in the investee in Mainland China.
 - 2.6. Through investing in Double Star Inc. in the third area, which then invested in the investee in Mainland China.

3. Others.

The company invested via the company investment entities in Mainland China to invest in Ningbo CarUX Technology Ltd. Except for the investment via the holding companies in Mainland China, other investments shall not be approved by Investment Commission of the Ministry of Economic Affairs.

Note D: In accordance with “Rules Governing Applications for Investment or Technical Cooperation in Mainland China”, the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau of the Ministry of Economic Affairs, the ceiling amount of the investment in Mainland China is not applicable to the Company.

INDEPENDENT AUDITORS' REPORT

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, 2022 and 2021, 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, based on our audits and the reports of other auditors (please refer to the Other matter section), 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, 2022 and 2021, 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors (please refer to the Other matter section), 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 Company's 2022 parent company only financial statements. 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, 2022 are outlined as follows:

Inventory valuation

Description

The industry is characterized in its significant fluctuations closely in connection with the economic environment. As the technology evolves rapidly, the launch of new products may cause major changes in consumer demand or due to the update of production approach, the existing products may become obsolete or no longer meet market needs. The Company has evaluated the inventory by taking into account of allowance, obsolescence or trivial sales amount and the cost has been written down to the net realizable value. The abovementioned allowance for inventory valuation losses mainly arose 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 prices of related products may have significant fluctuations because of market demand; we consider inventory valuation a key audit matter.

How our audit addressed the matter

We compared financial statements to ascertain the provision policy on allowance for inventory valuation losses has been consistently applied, 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; sampled individual inventory item numbers and checked them against historical data on inventory clearance and discount 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 measures the recoverable amount of the cash generating unit to determine whether goodwill and property, plant and equipment may be impaired based on future cash flows with appropriate discount rates, and future cash flows are estimated based on how assets are utilized, duration years of assets and projected income and expenses in the future. As these estimates, which are uncertain and dependent upon significant judgment from management, involve several assumptions such as determination of discount rates, expected growth rate and future financial projections, 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 – Reference to the audits of other auditors

We did not audit the financial statements of certain investments accounted for under the equity method of the Company, which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts and Note 13 included in respect of these investments accounted for under the equity method, is based solely on the reports of the other auditors. The balances of these investments accounted for under the equity method included in the Company's financial statements amounted to NT\$24,559,041 thousand and NT\$ 3,693,087 thousand, constituting 0.6% and 0.8% of the total assets of the Company as at December 31, 2022 and 2021, respectively, and other comprehensive income loss of these investments accounted for under the equity method and associates included in the Company's financial statements amounted to (NT\$1,499,789) thousand and (NT\$396,765) thousand, constituting 5.0% and (0.7)% of the total other comprehensive income loss of the Company for the years ended December 31, 2022 and 2021, respectively.

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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 auditors' 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 auditors' 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 for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan

February 14, 2023

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022	December 31, 2021
Current Assets			
1100	Cash and cash equivalents	\$ 42,742,345	\$ 16,209,662
1110	Financial assets at fair value through profit or loss - current	385,503	14,088,473
1136	Financial assets at amortized cost - current	10,892,226	11,656,499
1170	Accounts receivable, net	24,468,596	52,456,333
1180	Accounts receivable, net - related parties	12,243,100	10,131,776
1200	Other receivables	852,123	1,151,358
1210	Other receivables - related parties	688,721	1,786,526
130X	Inventory	22,427,356	27,072,150
1410	Prepayments	803,956	2,971,775
1479	Other current assets	859,275	104,099
11XX	Total current assets	116,363,201	137,628,651
Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	2,011,821	2,293,710
1517	Financial assets at fair value through other comprehensive income - non-current	2,100,977	4,706,256
1535	Financial assets at amortized cost - non-current	887,093	50,280,918
1550	Investments accounted for under equity method	93,254,285	89,593,974
1600	Property, plant and equipment	125,578,587	131,464,114
1755	Right-of-use assets	4,033,355	4,366,436
1760	Investment property, net	443,866	471,655
1780	Intangible assets	17,342,393	17,378,711
1840	Deferred income tax assets	3,513,457	3,391,436
1990	Other non-current assets	8,556,486	12,705,941
15XX	Total non-current assets	257,722,320	316,653,151
1XXX	Total assets	\$ 374,085,521	\$ 454,281,802

(Continued)

INNOLUX CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022	December 31, 2021
Current Liabilities			
2120	Financial liabilities at fair value through profit or loss - current	\$ 329,181	\$ 198,896
2170	Accounts payable	18,139,842	24,126,922
2180	Accounts payable - related parties	15,069,365	22,597,631
2200	Other payables	25,091,705	29,202,566
2230	Current income tax liabilities	142,765	—
2250	Provisions - current	5,634,974	7,512,161
2280	Lease liabilities - current	622,990	604,191
2320	Long-term liabilities, current portion	8,741,407	8,733,552
2399	Other current liabilities	5,133,343	5,760,846
21XX	Total current liabilities	<u>78,905,572</u>	<u>98,736,765</u>
Non-current liabilities			
2540	Long-term borrowings	26,813,109	35,534,207
2570	Deferred income tax liabilities	1,568,321	2,002,734
2580	Lease liabilities - non-current	3,829,647	4,327,155
2670	Other non-current liabilities	10,493,648	9,333,541
25XX	Total non-current liabilities	<u>42,704,725</u>	<u>51,197,637</u>
2XXX	Total liabilities	<u>121,610,297</u>	<u>149,934,402</u>
Equity			
Share capital			
3110	Common stock	95,564,562	105,596,201
3200	Capital surplus	103,312,414	103,287,482
Retained earnings			
3310	Legal reserve	13,811,763	8,062,551
3320	Special reserve	3,204,136	6,059,671
3350	Unappropriated retained earnings	42,750,417	84,545,631
3400	Other equity interest	(5,565,152)	(3,204,136)
3500	Treasury shares	(602,916)	—
3XXX	Total equity	<u>252,475,224</u>	<u>304,347,400</u>
3X2X	Total liabilities and equity	<u>\$ 374,085,521</u>	<u>\$ 454,281,802</u>

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

INNOLUX CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for (loss) earnings per share amounts)

Items	Notes	2022	2021
4000 Sales revenue	6(20) and 7	\$ 199,721,875	\$ 334,328,350
5000 Operating costs	6(6)(25) and 7	<u>(216,731,878)</u>	<u>(253,807,163)</u>
5900 Net operating (loss) margin		<u>(17,010,003)</u>	<u>80,521,187</u>
Operating expenses	6(25) and 7		
6100 Selling expenses		(1,007,569)	(2,610,105)
6200 General and administrative expenses		(3,949,817)	(4,971,804)
6300 Research and development expenses		<u>(10,759,959)</u>	<u>(13,627,216)</u>
6000 Total operating expenses		<u>(15,717,345)</u>	<u>(21,209,125)</u>
6900 Operating (loss) profit		<u>(32,727,348)</u>	<u>59,312,062</u>
Non-operating income and expenses			
7100 Interest income	6(21)	660,432	186,553
7010 Other income	6(22) and 7	2,290,247	2,625,559
7020 Other gains and losses	6(23)	(1,460,558)	(4,162,216)
7050 Finance costs	6(24)	(892,380)	(996,566)
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		<u>4,274,750</u>	<u>4,060,649</u>
7000 Total non-operating income and expenses		<u>4,872,491</u>	<u>1,713,979</u>
7900 (Loss) profit before income tax		<u>(27,854,857)</u>	<u>61,026,041</u>
7950 Income tax expense	6(27)	(135,399)	(3,491,580)
8200 (Loss) profit for the year		<u>\$ (27,990,256)</u>	<u>\$ 57,534,461</u>
Other comprehensive income (net)			
Components of other comprehensive (loss) income that will not be reclassified to profit or loss			
8311 Remeasurement of defined benefit plans	6(14)	\$ 220,400	\$ (414,486)
8316 Unrealized (losses) gains on financial assets at fair value through other comprehensive income	6(19)	(2,605,279)	3,534,296
8330 Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for under equity method	6(19)	(1,962,499)	1,299,867
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	<u>474,360</u>	<u>(623,507)</u>
8310 Components of other comprehensive (loss) income that will not be reclassified to profit or loss		<u>(3,873,018)</u>	<u>3,796,170</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss			
8361 Financial statements translation differences of foreign operations	6(19)	1,587,253	(948,734)
8380 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under equity method	6(7)(19)	<u>101,069</u>	<u>(34,241)</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss		<u>1,688,322</u>	<u>(982,975)</u>
8300 Other comprehensive (loss) income for the year, net of tax		<u>\$ (2,184,696)</u>	<u>\$ 2,813,195</u>
8500 Total comprehensive (loss) income for the year		<u>\$ (30,174,952)</u>	<u>\$ 60,347,656</u>
(Loss) earnings per share (in dollars)	6(28)		
9750 Basic (loss) earnings per share		<u>\$ (2.76)</u>	<u>\$ 5.53</u>
9850 Diluted (loss) earnings per share		<u>\$ (2.76)</u>	<u>\$ 5.34</u>

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

INNOLUX CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Share Capital			Retained Earnings			Other Equity Interest			Total
		Common stock	Certificate of entitlement to new shares from convertible bonds	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	
<u>2021</u>											
Balance at January 1		\$ 97,110,720	\$ 2,293,612	\$ 99,707,996	\$ 7,870,713	\$ 7,325,437	\$ 29,120,853	\$ (8,879,169)	\$ 2,819,498	\$ —	\$ 237,369,660
Profit for the year		—	—	—	—	—	57,534,461	—	—	—	57,534,461
Other comprehensive income (loss) for the year	6(19)	—	—	—	—	—	(331,603)	(982,975)	4,127,773	—	2,813,195
Total comprehensive income (loss)		—	—	—	—	—	57,202,858	(982,975)	4,127,773	—	60,347,656
Appropriation of 2020 earnings:	6(18)										
Legal reserve		—	—	—	191,838	—	(191,838)	—	—	—	—
Special reserve		—	—	—	—	(1,265,766)	1,265,766	—	—	—	—
Cash dividends		—	—	—	—	—	(3,141,271)	—	—	—	(3,141,271)
Cash dividends from capital surplus	6(17)(18)	—	—	(1,047,090)	—	—	—	—	—	—	(1,047,090)
Recognition of change in equity of associates in proportion to the Company's ownership	6(17)	—	—	1,602	—	—	—	—	—	—	1,602
Conversion of convertible bonds	6(16)(17)	8,485,481	(2,293,612)	4,544,732	—	—	—	—	—	—	10,736,601
Recognition of changes in ownership interests in subsidiaries	6(17)	—	—	11,722	—	—	—	—	—	—	11,722
Establishment of subsidiaries	6(17)	—	—	(5,300)	—	—	—	—	—	—	(5,300)
Difference between consideration and carrying amount of subsidiaries acquired	6(17)	—	—	(364)	—	—	—	—	—	—	(364)
Difference between consideration and carrying amount of subsidiaries disposed	6(17)	—	—	64,494	—	—	—	—	—	—	64,494
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(19)	—	—	—	—	—	289,263	—	(289,263)	—	—
Others	6(17)	—	—	9,690	—	—	—	—	—	—	9,690
Balance at December 31		\$ 105,596,201	\$ —	\$ 103,287,482	\$ 8,062,551	\$ 6,059,671	\$ 84,545,631	\$ (9,862,144)	\$ 6,658,008	\$ —	\$ 304,347,400
<u>2022</u>											
Balance at January 1		\$ 105,596,201	\$ —	\$ 103,287,482	\$ 8,062,551	\$ 6,059,671	\$ 84,545,631	\$ (9,862,144)	\$ 6,658,008	\$ —	\$ 304,347,400
Loss for the year		—	—	—	—	—	(27,990,256)	—	—	—	(27,990,256)
Other comprehensive income (loss) for the year	6(19)	—	—	—	—	—	176,320	1,688,322	(4,049,338)	—	(2,184,696)
Total comprehensive income (loss)		—	—	—	—	—	(27,813,936)	1,688,322	(4,049,338)	—	(30,174,952)
Appropriation of 2021 earnings:	6(18)										
Legal reserve		—	—	—	5,749,212	—	(5,749,212)	—	—	—	—
Special reserve		—	—	—	—	(2,855,535)	2,855,535	—	—	—	—
Cash dividends		—	—	—	—	—	(11,087,601)	—	—	—	(11,087,601)
Capital reduction by cash	6(16)	(10,031,639)	—	—	—	—	—	—	—	47,500	(9,984,139)
Recognition of change in equity of associates in proportion to the Company's ownership	6(17)	—	—	247	—	—	—	—	—	—	247
Recognition of changes in ownership interests in subsidiaries	6(17)	—	—	10,169	—	—	—	—	—	—	10,169
Purchase of treasury shares	6(16)	—	—	—	—	—	—	—	—	(650,416)	(650,416)
Others	6(17)	—	—	14,516	—	—	—	—	—	—	14,516
Balance at December 31		\$ 95,564,562	\$ —	\$ 103,312,414	\$ 13,811,763	\$ 3,204,136	\$ 42,750,417	\$ (8,173,822)	\$ 2,608,670	\$ (602,916)	\$ 252,475,224

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

INNOLUX CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit before tax		\$ (27,854,857)	\$ 61,026,041
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortization	6(25)	26,864,122	31,238,652
Expected credit losses	12(2)	—	53,191
Net loss on financial assets or liabilities at fair value through profit or loss		378,875	2,085,055
Compensation cost of share-based payments	6(25)	2,435	8,706
Share of profit of subsidiaries and associates accounted for under equity method		(4,274,750)	(4,060,649)
Loss on disposal of investments		—	101,390
Loss on disposal of property, plant and equipment		12,908	17,765
Gain on disposal of intangible assets		—	(7)
Interest income	6(21)	(660,432)	(186,553)
Dividend income	6(22)	(44,895)	(82,601)
Interest expense	6(24)	892,380	996,566
Foreign exchange gain		(2,310,657)	(325,247)
Unrealized profit (loss) from sale		251,937	(150,466)
Others		—	4,599
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets /liabilities at fair value through profit or loss		(69,970)	714,494
Accounts receivable		27,987,737	(10,132,598)
Accounts receivable - related parties		(2,111,324)	(839,677)
Other receivables		323,060	(60,219)
Other receivables - related parties		1,285,810	(668,962)
Inventories		4,644,794	(1,243,448)
Prepayments		1,748,372	(3,526,097)
Other current assets		(753)	1,565
Changes in operating liabilities			
Accounts payable		(5,987,080)	1,169,532
Accounts payable - related parties		(7,528,266)	(27,020,277)
Other payables		(5,324,980)	8,027,210
Provisions - current		(1,095,267)	1,367,866
Other current liabilities		(73,152)	489,560
Other non-current liabilities		(49,809)	2,616,667
Cash inflow generated from operations		7,006,238	61,622,058
Cash paid for income tax		(64,641)	(100)
Net cash flows from operating activities		6,941,597	61,621,958

(Continued)

INNOLUX CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		\$ (142,505)	\$ (19,792,492)
Proceeds from disposal of financial assets at fair value through profit or loss		13,948,744	7,266,972
Acquisition of investments in equity instruments measured at fair value through other comprehensive income		—	(214,738)
Decrease in financial assets at amortized cost - current		3,330,220	30,575,701
Acquisition of financial assets at amortized cost - non-current		—	(86,019,203)
Proceeds from disposal of financial assets at amortized cost		47,284,750	31,000,000
Proceeds from repayments of financial assets at amortized cost		2,010,343	175,000
Increase in investment accounted for under equity method		—	(427,475)
Increase in refundable deposits		(666,798)	(1,185,976)
Acquisition of property, plant and equipment	6(29)	(15,532,404)	(23,023,785)
Proceeds from disposal of property, plant and equipment		318,936	502,247
Proceeds from disposal of intangible assets		23,013	116
Interest received		796,163	139,173
Dividends received		147,945	242,454
Net cash flows from (used in) investing activities		<u>51,518,407</u>	<u>(60,762,006)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		—	23,850,000
Repayments of long-term borrowings		(8,750,000)	(19,250,000)
Increase in other payables - related parties	7	—	212,402
Cash paid from capital surplus	6(18)	—	(1,047,090)
Cash dividends paid	6(18)	(11,087,601)	(3,141,271)
Proceeds from disposal of shares of subsidiaries		—	240,786
Interest paid		(855,012)	(826,935)
Repayment of the principal portion of lease liabilities		(614,669)	(199,659)
Payments to acquire treasury shares	6(16)	(602,916)	—
Cash capital reduction	6(16)	(10,031,639)	—
Others	6(17)	14,516	9,690
Net cash flows used in financing activities		<u>(31,927,321)</u>	<u>(152,077)</u>
Net increase in cash and cash equivalents		26,532,683	707,875
Cash and cash equivalents at beginning of year		16,209,662	15,501,787
Cash and cash equivalents at end of year		<u>\$ 42,742,345</u>	<u>\$ 16,209,662</u>

INNOLUX CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) Innolux Corporation (the “Company”) was organized on January 14, 2003 under the Act for Establishment and Administration of Science Parks in the Republic of China (R.O.C.). The Company was listed on the Taiwan Stock Exchange Corporation (the “TSEC”) in October 2006. The Company merged with TPO Displays Corporation and Chi Mei Optoelectronics Corporation on March 18, 2010, with the Company as the surviving entity.

(2) The Company engages in the research, development, design, manufacture, and sales of TFT-LCD panels, modules and monitors of LCD, color filter, and low temperature poly-silicon TFT-LCD.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on February 14, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts-cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

Amendments to IAS 1, 'Classification of liabilities as current or non-current'

The amendments clarify that classification of liabilities depends on the rights that exist at the end of the reporting period. An entity shall classify a liability as current when it does not have a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. Also, the amendments define 'settlement' as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These parent company only financial statements are prepared by the Company in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

- A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit assets or liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable

A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Investments accounted for using equity method / subsidiaries and associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a

subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.

- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- I. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item

will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~51years
Machinery and equipment	5~9 years
Other equipment	2~6 years

(16) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model.

Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 25 ~ 50 years.

(18) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Patent, royalties and other intangible assets are amortized on a straight-line basis over their estimated useful lives of 2 ~ 10 years.

(19) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings and other long-term loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(21) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(23) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(24) Provisions

Provisions (including warranties, litigations, etc.) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected

unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(26) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(27) Income tax

- A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(28) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders' meeting. Cash dividends are recorded as liabilities.

(30) Revenue recognition

- A. The Company is primarily engaged in manufacture and sale of TFT-LCD panel products. The Company recognizes revenue when the right of control is transferred to the customer when the products are delivered to customer and the Company has no unperformed obligation that could affect customer acceptance of the product. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Sales revenue is calculated based on the contract price, net of volume discounts and sales returns and discounts. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. Accumulated experience is used to estimate and provide for the volume discounts, sales discounts and allowances, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected volume discounts, sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made, which is consistent with market practice.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. For the information of critical accounting judgments, estimates and key sources of assumption uncertainty is addressed below:

Critical accounting estimates and assumptions

The Company makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(1) Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Company's subjective judgment, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(11) for the information on goodwill impairment.

(2) Impairment assessment of tangible and intangible assets (excluding goodwill)

The Company assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future. Please refer to Note 6(11) for the information on impairment assessment.

(3) Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand, demand deposits and checking accounts	\$ 24,679,045	\$ 14,462,349
Time deposits	18,063,300	1,747,313
	<u>\$ 42,742,345</u>	<u>\$ 16,209,662</u>

A. The Company associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The above time deposits expire in 3 months and risks of changes in their values are remote.

(2) Financial assets and liabilities at fair value through profit or loss

Assets	December 31, 2022	December 31, 2021
<u>Current items</u>		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ —	\$ 13,903,225
Forward foreign exchange contracts	342,475	54,965
Forward exchange swap contracts	43,028	130,283
	<u>\$ 385,503</u>	<u>\$ 14,088,473</u>
<u>Non-current items</u>		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 834,038	\$ 968,335
Unlisted stocks	1,177,783	1,325,375
	<u>\$ 2,011,821</u>	<u>\$ 2,293,710</u>
<u>Liabilities</u>		
<u>Current items</u>		
Financial liabilities held for trading		
Forward foreign exchange contracts	\$ 289,691	\$ 198,896
Forward exchange swap contracts	39,490	—
	<u>\$ 329,181</u>	<u>\$ 198,896</u>

The non-hedging derivative financial assets and liabilities transaction information are as follows:

	December 31, 2022			December 31, 2021		
	Contract Amount (Notional Principal) (in thousands)	Contract Period		Contract Amount (Notional Principal) (in thousands)	Contract Period	
<u>Current items</u>						
Forward foreign exchange contracts	USD (sell)	\$ 250,000	2022/12-2023/01	RMB (sell)	\$ 1,020,844	2021/12-2022/01
	RMB (buy)	1,748,133	2022/12-2023/01	USD (buy)	160,000	2021/12-2022/01
Forward foreign exchange contracts	RMB (sell)	550,000	2022/10-2023/01	RMB (sell)	625,000	2021/12-2022/01
	TWD (buy)	2,417,714	2022/10-2023/01	TWD (buy)	2,711,077	2021/12-2022/01
Forward foreign exchange contracts	USD (sell)	30,000	2022/12-2023/01	USD (sell)	40,000	2021/12-2022/01
	JPY (buy)	4,049,825	2022/12-2023/01	JPY (buy)	4,577,300	2021/12-2022/01
Forward foreign exchange contracts	TWD (sell)	4,850,675	2022/10-2023/03	TWD (sell)	6,171,025	2021/09-2022/03
	JPY (buy)	22,000,000	2022/10-2023/03	JPY (buy)	25,000,000	2021/09-2022/03
Forward foreign exchange contracts	EUR (sell)	7,700	2022/11-2023/02	EUR (sell)	6,000	2021/12-2022/01
	USD (buy)	7,994	2022/11-2023/02	USD (buy)	6,803	2021/12-2022/01
Forward foreign exchange contracts	HKD (sell)	37,500	2022/11-2023/01	HKD (sell)	66,283	2021/11-2022/02
	USD (buy)	4,800	2022/11-2023/01	USD (buy)	8,500	2021/11-2022/02

Derivative financial assets and liabilities	December 31, 2022			December 31, 2021		
	Contract Amount (Notional Principal) (in thousands)	Contract Period		Contract Amount (Notional Principal) (in thousands)	Contract Period	
<u>Current items</u>						
Forward foreign exchange contracts	USD (sell) \$ 871,860	2022/12-2023/02		USD (sell) \$ 930,000	2021/12-2022/01	
	TWD (buy) 26,492,656	2022/12-2023/02		TWD (buy) 25,755,547	2021/12-2022/01	
Foreign exchange swap contracts	USD (sell) 457,000	2022/11-2023/02		USD (sell) 805,000	2021/10-2022/05	
	TWD (buy) 14,022,914	2022/11-2023/02		TWD (buy) 22,406,595	2021/10-2022/05	

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of import and export proceeds in foreign currency, foreign exchange swap contracts are to meet fund procurement demand. However, these contracts are not accounted for using hedge accounting.

(3) Financial assets at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current items</u>		
Equity instruments		
Listed stocks	<u>\$ 2,100,977</u>	<u>\$ 4,706,256</u>

- A. The Company has elected to classify equity instruments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income.
- B. For information on other comprehensive income for fair value change recognized by the Company for the years ended December 31, 2022 and 2021, please refer to Note 6(19) "Other equity".

(4) Financial assets at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current items</u>		
Corporate bonds	\$ 5,186,488	\$ 1,995,699
Principal guaranteed financial assets	3,685,200	9,660,800
Fixed income financial products	2,020,538	—
	<u>\$ 10,892,226</u>	<u>\$ 11,656,499</u>
<u>Non-current items</u>		
Corporate bonds	\$ 887,093	\$ 5,697,755
Principal guaranteed financial assets	—	39,400,000
Fixed income financial products	—	5,183,163
	<u>\$ 887,093</u>	<u>\$ 50,280,918</u>

- A. The Company recognized \$375,203 and \$153,830 of interest income arising from the financial assets at amortized cost for the years ended December 31, 2022 and 2021, respectively.
- B. The Company associates with a variety of financial institutions and counterparties all with high credit quality to disperse credit risk, so it expects that the probability of financial institution and counterparty defaults is remote.

(5) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 24,731,160	\$ 52,718,897
Less: Allowance for uncollectible accounts	(262,564)	(262,564)
	<u>\$ 24,468,596</u>	<u>\$ 52,456,333</u>

A. The aging analysis of accounts receivable is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 21,919,761	\$ 49,124,198
Up to 60 days	1,790,590	3,126,216
61 to 180 days	752,577	230,041
Over 180 days	268,232	238,442
	<u>\$ 24,731,160</u>	<u>\$ 52,718,897</u>

The above aging analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers.

As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$42,586,299.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials and supplies	\$ 2,921,419	\$ 3,866,053
Work in progress	10,024,876	12,302,547
Finished goods	9,481,061	10,903,550
	<u>\$ 22,427,356</u>	<u>\$ 27,072,150</u>

For the years ended December 31, 2022 and 2021, the Company recognized cost of goods sold for inventories that have been sold at \$216,308,550 and \$253,491,278 and recognized net inventory loss at \$423,328 and \$315,885 due to write down of cost of scrap inventories to net realizable value, respectively.

(7) Investments accounted for under the equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries:		
Landmark International Ltd.	\$ 55,243,844	\$ 49,835,425
Innolux Holding Limited	18,569,845	18,012,846
Toppoly Optoelectronics (B.V.I.) Ltd.	6,631,666	6,186,203
Innolux Hong Kong Holding Limited	4,984,990	6,355,418
Others	6,432,687	7,833,667
Associates:		
Ampower Holding Ltd.	904,206	801,157
FI Medical Device Manufacturing Co., Ltd.	304,356	318,640
PanelSemi Corporation	162,329	243,661
Others	20,362	6,957
	<u>\$ 93,254,285</u>	<u>\$ 89,593,974</u>

A. The Company's subsidiaries

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2022.

B. The Company's associates

The operating results of the Company's share in all individually immaterial associates are summarized below:

	Years ended December 31,	
	2022	2021
(Loss) profit for the year from continuing operations	\$ (6,721)	\$ 66,673
Other comprehensive income (loss) - net of tax	101,069	(34,241)
Total comprehensive income	<u>\$ 94,348</u>	<u>\$ 32,432</u>

(8) Property, plant and equipment

	2022				
	At January 1	Additions	Disposals	Transfer	At December 31
Cost:					
Land	\$ 3,852,792	\$ —	\$ —	\$ —	\$ 3,852,792
Buildings	179,699,574	605,185	(124,891)	966,171	181,146,039
Machinery and equipment	484,375,727	3,331,414	(5,658,583)	6,227,963	488,276,521
Other equipment	43,483,603	535	(3,824,012)	3,408,590	43,068,716
	<u>711,411,696</u>	<u>3,937,134</u>	<u>(9,607,486)</u>	<u>10,602,724</u>	<u>716,344,068</u>
Accumulated depreciation and impairment:					
Buildings	(131,005,345)	(6,932,091)	123,865	208	(137,813,363)
Machinery and equipment	(418,170,549)	(16,016,928)	5,620,246	(1,035)	(428,568,266)
Other equipment	(38,755,341)	(3,312,432)	3,535,268	4,256	(38,528,249)
	<u>(587,931,235)</u>	<u>(26,261,451)</u>	<u>9,279,379</u>	<u>3,429</u>	<u>(604,909,878)</u>
Unfinished construction and equipment under acceptance	7,983,653	12,026,858	—	(5,866,114)	14,144,397
	<u>\$ 131,464,114</u>				<u>\$ 125,578,587</u>
	2021				
	At January 1	Additions	Disposals	Transfer	At December 31
Cost:					
Land	\$ 3,852,792	\$ —	\$ —	\$ —	\$ 3,852,792
Buildings	178,742,461	437,968	(165,791)	684,936	179,699,574
Machinery and equipment	475,843,175	4,180,852	(5,234,276)	9,585,976	484,375,727
Other equipment	42,171,116	13,530	(2,034,641)	3,333,598	43,483,603
	<u>700,609,544</u>	<u>4,632,350</u>	<u>(7,434,708)</u>	<u>13,604,510</u>	<u>711,411,696</u>
Accumulated depreciation and impairment:					
Buildings	(123,829,844)	(7,340,896)	165,433	(38)	(131,005,345)
Machinery and equipment	(403,391,942)	(19,486,977)	4,745,738	(37,368)	(418,170,549)
Other equipment	(37,029,114)	(3,767,158)	2,003,525	37,406	(38,755,341)
	<u>(564,250,900)</u>	<u>(30,595,031)</u>	<u>6,914,696</u>	<u>—</u>	<u>(587,931,235)</u>
Unfinished construction and equipment under acceptance	11,259,894	18,785,990	—	(22,062,231)	7,983,653
	<u>\$ 147,618,538</u>				<u>\$ 131,464,114</u>

A. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

B. As of December 31, 2022 and 2021, the prepayments for business facilities which have not yet entered the factory (shown as 'other non-current assets') amounted to \$3,688,314 and \$8,520,889, respectively.

C. Information about impairment assessment is provided in Note 6(11).

(9) Leasing arrangements - lessee

A. The Company leases various assets including land. Rental contracts are typically made for periods of 9 to 28 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise office and equipment. Low-value assets comprise computer equipment.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	<u>\$ 4,033,355</u>	<u>\$ 4,366,436</u>
	<u>Years ended December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>
	<u>Depreciation Charge</u>	<u>Depreciation Charge</u>
Land	<u>\$ 469,041</u>	<u>\$ 457,846</u>

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 79,747	\$ 85,420
Expense on variable lease payments	45,934	45,345
Expense on leases of low-value assets	28,069	36,127
Expense on short-term lease contracts	30,090	20,938

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$738,199 and \$287,809, respectively.

(10) Investment property

	<u>2022</u>		
	<u>At January 1</u>	<u>Additions</u>	<u>At December 31</u>
Cost:			
Land	\$ 188,247	\$ —	\$ 188,247
Buildings	439,228	—	439,228
	<u>627,475</u>	<u>—</u>	<u>627,475</u>
Accumulated depreciation and impairment:			
Buildings	(155,820)	(27,789)	(183,609)
	<u>\$ 471,655</u>	<u>\$ (27,789)</u>	<u>\$ 443,866</u>

	2021		
	At January 1	Additions	At December 31
Cost:			
Land	\$ 188,247	\$ —	\$ 188,247
Buildings	439,228	—	439,228
	<u>627,475</u>	<u>—</u>	<u>627,475</u>
Accumulated depreciation and impairment:			
Buildings	(128,031)	(27,789)	(155,820)
	<u>\$ 499,444</u>	<u>\$ (27,789)</u>	<u>\$ 471,655</u>

The fair value of the investment property held by the Company as at December 31, 2022 and 2021 was \$1,670,276 and \$1,978,199, respectively. The amounts mentioned above represent valuation results of comparative method based on market trading information categorized within Level 3 in the fair value hierarchy.

(11) Intangible assets

A. Intangible assets are goodwill, payments for TFT-LCD related technology and royalty. Details of intangible assets are as follows:

	2022				
	At January 1	Additions	Disposals	Transfer	At December 31
Cost:					
Patents and royalty	\$ 8,232,454	\$ —	\$ (3,000)	\$ 400	\$ 8,229,854
Goodwill	17,096,628	—	—	—	17,096,628
Others	4,446,483	—	(336,318)	92,136	4,202,301
	<u>29,775,565</u>	<u>—</u>	<u>(339,318)</u>	<u>92,536</u>	<u>29,528,783</u>
Accumulated amortization and impairment:					
Patents and royalty	(8,171,928)	(19,657)	3,000	—	(8,188,585)
Others	(4,224,926)	(86,184)	313,305	—	(3,997,805)
	<u>(12,396,854)</u>	<u>(105,841)</u>	<u>316,305</u>	<u>—</u>	<u>(12,186,390)</u>
	<u>\$ 17,378,711</u>	<u>\$ (105,841)</u>	<u>\$ (23,013)</u>	<u>\$ 92,536</u>	<u>\$ 17,342,393</u>
	2021				
	At January 1	Additions	Disposals	Transfer	At December 31
Cost:					
Patents and royalty	\$ 8,184,435	\$ —	\$ —	\$ 48,019	\$ 8,232,454
Goodwill	17,096,628	—	—	—	17,096,628
Others	4,579,812	—	(256,266)	122,937	4,446,483
	<u>29,860,875</u>	<u>—</u>	<u>(256,266)</u>	<u>170,956</u>	<u>29,775,565</u>
Accumulated amortization and impairment:					
Patents and royalty	(8,156,713)	(15,215)	—	—	(8,171,928)
Others	(4,338,312)	(142,771)	256,157	—	(4,224,926)
	<u>(12,495,025)</u>	<u>(157,986)</u>	<u>256,157</u>	<u>—</u>	<u>(12,396,854)</u>
	<u>\$ 17,365,850</u>	<u>\$ (157,986)</u>	<u>\$ (109)</u>	<u>\$ 170,956</u>	<u>\$ 17,378,711</u>

B. Details of amortization on intangible assets are as follows:

	Years ended December 31,	
	2022	2021
Operating costs	\$ 28,720	\$ 48,629
Operating expenses	77,121	109,357
	<u>\$ 105,841</u>	<u>\$ 157,986</u>

C. The Company is primarily engaged in the manufacture of TFT-LCD products, which is a single cash-generating unit. The Company performed impairment analysis for recoverable amount of the goodwill and property, plant and equipment at each reporting date and used the value in use as the basis for calculation of the recoverable amount. The value in use was calculated based on the estimated present value of future cash flows for five years, which was discounted at the discount rate of 9.38% and 12.58%, respectively, for the years ended December 31, 2022 and 2021, to reflect the specific risks of the related cash generating units. The future cash flows were estimated based on the future revenue, gross profit, and other operating costs each year. Based on the evaluation above, the Company did not recognize impairment loss on goodwill and property, plant and equipment for the years ended December 31, 2022 and 2021, respectively.

(12) Other payables

	December 31, 2022	December 31, 2021
Other personnel expenses	\$ 9,518,891	\$ 14,204,879
Payable on machinery and equipment	3,522,683	3,091,095
Repairs and maintenance expense payable	2,317,720	2,525,072
Utilities expense payable	1,044,406	1,057,459
Processing fee payable	527,983	398,624
Other payables	8,160,022	7,925,437
	<u>\$ 25,091,705</u>	<u>\$ 29,202,566</u>

(13) Long-term borrowings

Type of borrowings	Period	December 31, 2022	December 31, 2021
Syndicated bank borrowings	2019/4/15 ~2024/4/15	\$ 35,000,000	\$ 43,750,000
Unsecured borrowings	2021/12/2 ~2026/11/15	600,000	600,000
Less:			
Administrative expenses charged by syndicated banks		(45,484)	(82,241)
Current portion (includes administrative expenses)		(8,741,407)	(8,733,552)
		<u>\$ 26,813,109</u>	<u>\$ 35,534,207</u>
Range of interest rates		<u>0.75%~2.26%</u>	<u>0.75%~1.79%</u>

A. Please refer to Note 8 for the information on assets pledged as collateral for long-term borrowings.

- B. The syndicated borrowing agreements specified that the Company shall meet covenants on current ratio, liability ratio, interest coverage, and tangible net equity, based on the Company's annual consolidated financial statements audited by independent auditors. The Company's financial ratios on the consolidated financial statements for the years ended December 31, 2022 and 2021 are in compliance with the covenants on the syndicated borrowing agreement.
- C. For repayment of borrowings from financial institutions and financing mid-term working capital fund, the Board of Directors approved the signing of a syndicated borrowing with financial institution in the amount of \$37.5 billion on May 5, 2020. As of December 31, 2022, the borrowing has yet to be drawn down.

(14) Pensions

A. Defined benefit pension plan

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005, and service years thereafter of employees who choose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) In February 2022, the Science Park, Ministry of Science and Technology approved the Company to stop contributing to the retirement fund temporarily.
- (c) In the first half of 2022, the Company reached an agreement with part of its employees for terminating their defined benefit pension plans and settled its defined benefit obligation. Total pension payment paid from the plan assets was \$2,166,345. Accordingly, the Company re-assessed the actuarial assumptions and recognized gain on the settlement amounting to \$127,244 and gain on remeasurement of net defined benefit liability amounting to \$232,321.
- (d) The amounts recognized in the balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 238,892	\$ 2,568,227
Fair value of plan assets	(516,912)	(2,501,851)
Net defined benefit (asset) liability	<u>\$ (278,020)</u>	<u>\$ 66,376</u>

(e) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Year ended December 31, 2022			
Balance at January 1	\$ 2,568,227	\$ 2,501,851	\$ 66,376
Current service cost	5,454	—	5,454
Interest expense/income	10,493	12,699	(2,206)
Gain on settlement	(127,244)	—	(127,244)
	<u>(111,297)</u>	<u>12,699</u>	<u>(123,996)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	—	176,652	(176,652)
Change in demographic assumptions	9,909	—	9,909
Change in financial assumptions	(15,839)	—	(15,839)
Experience adjustments	(37,818)	—	(37,818)
Paid pension	(2,174,290)	(2,174,290)	—
	<u>(2,218,038)</u>	<u>(1,997,638)</u>	<u>(220,400)</u>
Balance at December 31	<u>\$ 238,892</u>	<u>\$ 516,912</u>	<u>\$ (278,020)</u>
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2021			
Balance at January 1	\$ 2,127,700	\$ 1,970,661	\$ 157,039
Current service cost	5,637	—	5,637
Interest expense/income	8,511	7,883	628
	<u>14,148</u>	<u>7,883</u>	<u>6,265</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	—	27,371	(27,371)
Change in demographic assumptions	3,884	—	3,884
Change in financial assumptions	120,136	—	120,136
Experience adjustments	317,837	—	317,837
Paid pension	(15,478)	(15,478)	—
	<u>426,379</u>	<u>11,893</u>	<u>414,486</u>
Contribution for the year	—	511,414	(511,414)
Balance at December 31	<u>\$ 2,568,227</u>	<u>\$ 2,501,851</u>	<u>\$ 66,376</u>

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan

and the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund” (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(g) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	1.30%	0.70%
Future salary increases	2.40%	2.40%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	\$ (6,589)	\$ 6,848	\$ 6,158	\$ (5,966)
	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	\$ (89,861)	\$ 94,591	\$ 85,132	\$ (82,767)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (h) As of December 31, 2022, the weighted average duration of the retirement plan is 12 years.
- (i) During the years ended December 31, 2022 and 2021, the subsidiary of the Company recognized other comprehensive loss amounting to \$0 and \$14 for remeasurements arising from defined benefit plans.

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$958,788 and \$931,808, respectively.

(15) Provisions-current

	<u>Warranty</u>	<u>Litigation and others</u>	<u>Total</u>
At January 1, 2022	\$ 3,270,135	\$ 4,242,026	\$ 7,512,161
Additions during the year	759,897	397,181	1,157,078
Reversed during the year	(1,380,915)	(1,653,350)	(3,034,265)
At December 31, 2022	<u>\$ 2,649,117</u>	<u>\$ 2,985,857</u>	<u>\$ 5,634,974</u>

A. Warranty

The Company provides warranty on TFT-LCD panel products sold. Provision for warranty is estimated based on historical warranty data of TFT-LCD panel products.

B. Litigation and others

Litigation and other provisions for the Company are related to patents of TFT-LCD panel products and anti-trust litigations. For information on estimation of provisions, please refer to Note 9(1).

(16) Share capital

- A. As of December 31, 2022, the Company’s authorized and outstanding capital were \$120,000,000 and \$95,564,562, with a par value of \$10 (in dollars) per share, respectively. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding (including certificate of entitlement to new shares from convertible bonds) are as follows:

	<u>2022</u>	<u>2021</u>
	<u>Number of ordinary shares (in thousand units)</u>	<u>Number of ordinary shares (in thousand units)</u>
At January 1	10,559,620	9,940,433
Cash capital reduction	(1,003,164)	—
Stocks converted from bonds	—	619,187
Shares retired	(45,250)	—
At December 31	<u>9,511,206</u>	<u>10,559,620</u>

- B. The Company’s bonds totalling USD 218,800 thousand (face value) had been converted into \$6,191,869 of ordinary shares (619,187 thousand shares) with a par value of \$10 (in dollars)

per share during the year ended December 31, 2021, which resulted in ‘capital surplus, additional paid-in capital arising from bond conversion’ of \$4,544,732.

C. Capital reduction

To adjust the capital structure, the stockholders of the Company during their meeting on June 24, 2022 resolved to implement a capital reduction and return capital in cash to stockholders. The registration of the capital reduction was approved by the Taiwan Stock Exchange in accordance with the Letter No.Tai-Zheng-Shang-Yi-Zi-1111803817, dated August 10, 2022. The capital reduction amounted to \$10,031,639 for a total of 1,003,164 thousand shares, and the ratio of capital reduction was 9.5%. The effective date of the capital reduction was August 15, 2022. The change of registration was completed on August 23, 2022. The effective date of the replacement of shares due to the capital reduction was October 7, 2022.

D. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company’s treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	December 31, 2022	
		Quantity (in thousand units)	Book Value
The Company	To be reissued to employees	45,250	\$ 602,916

(b) The Company acquired a total of 50,000 thousand treasury shares at \$650,416 in the second quarter of 2022. After the cash capital reduction declaration became effective and the change registration was completed in the third quarter of 2022, the Company eliminated 4,750 thousand shares and reduced cost of treasury shares by \$47,500. Please refer to the above description for relevant cash capital reduction information.

(c) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company’s issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and shareholder's rights should not be enjoyed before it is reissued.

(e) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be cancelled.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Accumulated deficit shall first be covered by retained earnings before the capital reserve can be used to cover the accumulated deficit.

	2022					
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Share of profit (loss) of associates accounted for under equity method	Difference between proceeds on acquisition or disposal of equity interest in a subsidiary and its carrying amount	Total
At January 1	\$ 99,992,177	\$ 3,183,414	\$ 6,484	\$ 41,277	\$ 64,130	\$103,287,482
Recognition of changes in ownership interests in subsidiaries	—	—	10,169	—	—	10,169
Recognition of change in equity of associates in proportion to the Company's ownership	—	—	—	247	—	247
Others	14,516	—	—	—	—	14,516
At December 31	<u>\$100,006,693</u>	<u>\$ 3,183,414</u>	<u>\$ 16,653</u>	<u>\$ 41,524</u>	<u>\$ 64,130</u>	<u>\$103,312,414</u>
	2021					
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Share of profit (loss) of associates accounted for under equity method	Difference between proceeds on acquisition or disposal of equity interest in a subsidiary and its carrying amount	Total
At January 1	\$ 96,484,845	\$ 3,183,414	\$ 62	\$ 39,675	\$ —	\$ 99,707,996
Cash dividends from capital surplus	(1,047,090)	—	—	—	—	(1,047,090)
Conversion of convertible bonds	4,544,732	—	—	—	—	4,544,732
Recognition of changes in ownership interests in subsidiaries	—	—	11,722	—	—	11,722
Recognition of change in equity of associates in proportion to the Company's ownership	—	—	—	1,602	—	1,602
Difference between consideration and carrying amount of subsidiaries acquired	—	—	—	—	(364)	(364)
Difference between consideration and carrying amount of subsidiaries disposed	—	—	—	—	64,494	64,494
Establishment of subsidiaries	—	—	(5,300)	—	—	(5,300)
Others	9,690	—	—	—	—	9,690
At December 31	<u>\$ 99,992,177</u>	<u>\$ 3,183,414</u>	<u>\$ 6,484</u>	<u>\$ 41,277</u>	<u>\$ 64,130</u>	<u>\$103,287,482</u>

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be offset against prior years' operating losses, then set aside 10% of the remaining amount as legal reserve (until the legal reserve equals the paid-in capital). Preferred dividend shall be distributed after setting aside or reversing a special reserve according to related regulations. The appropriation of the remaining amount along with the unappropriated earnings from previous years shall be proposed by the Board of Directors and resolved by the shareholders. The net decrease in other equity accumulated in prior periods should be appropriated from prior period's undistributed earnings to a special reserve of the same amount, and if there is a deficiency, the same amount should be appropriated from the post-tax profit for the year plus

the amount of items other than post-tax profit for the year, and the amount was included in the unappropriated earnings for the year.

Depending on the Company's future long-term financial planning, investment environment, industry competition, capital expenditure budget, capital requirements and protection of shareholders' rights, dividends should account for at less 20% of the distributable earnings for the year. However, as the distributable earnings is lower than 2% of the paid-in capital, the Company may choose not to distribute dividends and transferred dividends to the retained earnings. Earnings shall be preferably distributed using cash dividends and may also be distributed using stock dividends. The ratio for cash dividends shall not be less than 50% of the total amount of dividends distributed. The aforementioned dividend distribution rate may be adjusted based on financial, business and operational factors.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. The details of the 2021 net income which was approved at the stockholders' meeting in June 2022 and the appropriation of 2020 net income which was approved at the stockholders' meeting in July 2021 are as follows:

	Years ended December 31,			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 5,749,212		\$ 191,838	
Reversal of special reserve	(2,855,535)		(1,265,766)	
Cash dividends	11,087,601	\$ 1.05	3,141,271	\$ 0.30
	<u>\$ 13,981,278</u>		<u>\$ 2,067,343</u>	

The stockholders' meeting in July 2021 approved a resolution to distribute cash dividends amounting to \$1,047,090 at \$0.1 (in dollars) per share from capital surplus.

(19) Other equity items

	2022		
	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1	\$ (9,862,144)	\$ 6,658,008	\$ (3,204,136)
Revaluation - gross	—	(2,605,279)	(2,605,279)
Currency translation differences	1,587,253	—	1,587,253
Share of other comprehensive loss of subsidiaries and associates	101,069	(1,962,499)	(1,861,430)
Effect of income tax	—	518,440	518,440
At December 31	<u>\$ (8,173,822)</u>	<u>\$ 2,608,670</u>	<u>\$ (5,565,152)</u>
	2021		
	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1	\$ (8,879,169)	\$ 2,819,498	\$ (6,059,671)
Revaluation - gross	—	3,534,296	3,534,296
Disposal of investments in equity instruments measured at fair value through other comprehensive income	—	(289,263)	(289,263)
Currency translation differences	(948,734)	—	(948,734)
Share of other comprehensive loss of subsidiaries and associates	(34,241)	1,299,881	1,265,640
Effect of income tax	—	(706,404)	(706,404)
At December 31	<u>\$ (9,862,144)</u>	<u>\$ 6,658,008</u>	<u>\$ (3,204,136)</u>

(20) Operating income

	Years ended December 31,	
	2022	2021
TFT-LCD products	<u>\$ 199,721,875</u>	<u>\$ 334,328,350</u>

The Company derives revenue from the transfer of goods at a point in time.

(21) Interest income

	Years ended December 31,	
	2022	2021
Interest income from financial assets at amortized cost	\$ 375,203	\$ 153,830
Interest income from bank deposits	285,229	32,723
	<u>\$ 660,432</u>	<u>\$ 186,553</u>

(22) Other income

	Years ended December 31,	
	2022	2021
Service revenue	\$ 1,242,398	\$ 1,588,676
Rental revenue	198,573	176,765
Compensation income	81,961	136,411
Dividend income	44,895	82,601
Other income	722,420	641,106
	<u>\$ 2,290,247</u>	<u>\$ 2,625,559</u>

(23) Other gains and losses

	Years ended December 31,	
	2022	2021
Net loss on financial assets and liabilities at fair value through profit or loss	\$ (7,280,022)	\$ (3,313,240)
Net currency exchange gain (loss)	5,741,912	(42,190)
Other gains (losses)	77,552	(806,786)
	<u>\$ (1,460,558)</u>	<u>\$ (4,162,216)</u>

(24) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 789,855	\$ 841,110
Convertible bonds	—	45,441
Others	102,525	110,015
	<u>\$ 892,380</u>	<u>\$ 996,566</u>

(25) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense:		
Salaries and other short-term employee benefits	\$ 26,355,057	\$ 34,561,790
Post-employment benefits	834,792	938,073
Share-based payments	2,435	8,706
Depreciation	26,758,281	31,080,666
Amortization	105,841	157,986
	<u>\$ 54,056,406</u>	<u>\$ 66,747,221</u>

(26) Employees' compensation and directors' remuneration

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 0.1% for directors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$0 and \$4,246,994, respectively; while directors' remuneration was accrued at \$0 and \$65,338, respectively. The aforementioned amounts were recognized in expenses.

For the year ended December 31, 2022, the Company incurred net loss and had an accumulated deficit. Thus, there was no distribution of employees' compensation and directors' remuneration as resolved by the Board of Directors on February 14, 2023.

The employees' compensation and directors' remuneration for the year ended December 31, 2021 were \$4,246,994 and \$65,338, respectively, and will be distributed in the form of cash as resolved by the Board of Directors on February 11, 2022. The resolved amounts were in agreement with the amount of recorded expense for the year ended December 31, 2021. As of February 14, 2023, employees' compensation and directors' remuneration for 2021 have been distributed completely.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profit for the year	\$ 3,714	\$ 134
Tax on undistributed surplus earnings	196,544	—
Prior year income tax underestimation (overestimation)	17,215	(34)
Total current tax	<u>217,473</u>	<u>100</u>
Deferred tax:		
Origination and reversal of temporary differences	(82,074)	(438,513)
Loss carryforward	—	3,929,993
Income tax expense	<u>\$ 135,399</u>	<u>\$ 3,491,580</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2022	2021
Changes in fair value of financial assets at fair value through other comprehensive income	\$ (518,440)	\$ 706,404
Remeasurements of defined benefit obligations	44,080	(82,897)
	<u>\$ (474,360)</u>	<u>\$ 623,507</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ (5,570,971)	\$ 12,205,208
Effects from items disallowed by tax regulation	(751,353)	(301,338)
Prior year income tax underestimation (overestimation)	17,215	(34)
Separate taxation	3,714	134
Tax on undistributed surplus earnings	196,544	—
Change in assessment of realization of deferred tax assets	6,240,250	(8,412,390)
Income Tax expense	<u>\$ 135,399</u>	<u>\$ 3,491,580</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Sales returns and discount provisions	\$ 686,356	\$ (136,758)	\$ —	\$ 549,598
Accrued royalties and warranty provisions	1,579,496	152,155	—	1,731,651
Unrealized exchange loss	—	68,369	—	68,369
Unrealized loss on financial instruments	520,072	(2,729)	—	517,343
Others	605,512	40,984	—	646,496
	<u>\$ 3,391,436</u>	<u>\$ 122,021</u>	<u>\$ —</u>	<u>\$ 3,513,457</u>
- Deferred tax liabilities:				
Unrealized exchange gain	\$ (16,551)	\$ 16,551	\$ —	\$ —
Unrealized gain on financial instruments	(813,416)	21,838	518,440	(273,138)
Amortization charges on goodwill	(1,142,674)	(96,905)	—	(1,239,579)
Others	(30,093)	18,569	(44,080)	(55,604)
	<u>\$ (2,002,734)</u>	<u>\$ (39,947)</u>	<u>\$ 474,360</u>	<u>\$ (1,568,321)</u>
	<u>\$ 1,388,702</u>	<u>\$ 82,074</u>	<u>\$ 474,360</u>	<u>\$ 1,945,136</u>

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Sales returns and discount provisions	\$ 634,935	\$ 51,421	\$ —	\$ 686,356
Accrued royalties and warranty provisions	1,309,803	269,693	—	1,579,496
Unrealized loss on financial instruments	594,116	2,729	(76,773)	520,072
Others	637,125	(114,510)	82,897	605,512
Loss carryforward	3,929,993	(3,929,993)	—	—
	<u>\$ 7,105,972</u>	<u>\$ (3,720,660)</u>	<u>\$ 6,124</u>	<u>\$ 3,391,436</u>
- Deferred tax liabilities:				
Unrealized exchange gain	\$ (147,874)	\$ 131,323	\$ —	\$ (16,551)
Unrealized gain on financial instruments	—	(183,785)	(629,631)	(813,416)
Amortization charges on goodwill	(1,045,769)	(96,905)	—	(1,142,674)
Others	(408,640)	378,547	—	(30,093)
	<u>\$ (1,602,283)</u>	<u>\$ 229,180</u>	<u>\$ (629,631)</u>	<u>\$ (2,002,734)</u>
	<u>\$ 5,503,689</u>	<u>\$ (3,491,480)</u>	<u>\$ (623,507)</u>	<u>\$ 1,388,702</u>

D. Expiration dates of unused loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2022				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2016	\$ 1,051,680	\$ 1,051,680	\$ 1,051,680	2026
2019	21,206,403	21,206,403	21,206,403	2029
2022	32,774,644	32,774,644	32,774,644	2032
	<u>\$ 55,032,727</u>	<u>\$ 55,032,727</u>	<u>\$ 55,032,727</u>	
December 31, 2021				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2012	\$ 42,430,348	\$ 3,546,716	\$ 3,546,716	2022
2016	1,051,680	1,051,680	1,051,680	2026
2019	21,206,403	21,206,403	21,206,403	2029
	<u>\$ 64,688,431</u>	<u>\$ 25,804,799</u>	<u>\$ 25,804,799</u>	

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 1,483,018</u>	<u>\$ 1,532,571</u>

F. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2022 and 2021, the amounts of temporary differences unrecognized as deferred tax liabilities were \$39,360,172 and \$34,176,731, respectively.

G. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(28) (Loss) earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Net loss for the year	\$ (27,990,256)	10,152,560	\$ (2.76)
	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Net income for the year	\$ 57,534,461	10,395,532	\$ 5.53
<u>Diluted earnings per share</u>			
Net income for the year	57,534,461	10,395,532	
Assumed conversion of all dilutive potential ordinary shares:			
- Convertible bonds	45,441	164,088	
- Employees' compensation	—	217,365	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 57,579,902	10,776,985	\$ 5.34

(29) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 15,963,992	\$ 23,418,340
Add: Opening balance of payable on equipment	3,091,095	2,696,540
Less: Ending balance of payable on equipment	(3,522,683)	(3,091,095)
Cash paid during the year	\$ 15,532,404	\$ 23,023,785

(30) Changes in liabilities from financing activities

For the years ended December 31, 2022 and 2021, liabilities from financing activities include other payables - related parties, bonds payable, long-term borrowings and lease liabilities. Changes in those items result from cash flow from financing activities, conversion, discount and amortization of bonds payable as well as changes in exchange rate. The summarized significant changes are as follows and other information is provided in the parent company only statements of cash flows.

	<u>2021</u>
	<u>Bonds payable</u>
At January 1	\$ 5,374,293
Impact of changes in foreign exchange rate	(38,240)
Conversion of convertible bonds	(5,381,494)
Amortization of discounts on convertible bonds	45,441
At December 31	<u>\$ —</u>

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Other related party
PanelSemi Corporation	Associate
Foshan Innolux Optoelectronics Ltd.	The Company's subsidiary
Innolux USA Inc.	The Company's subsidiary
CARUX TECHNOLOGY PTE. LTD.	The Company's subsidiary
CarUX Technology Inc.	The Company's subsidiary
Ningbo Innolux Optoelectronics Ltd.	The Company's subsidiary
Ningbo Innolux Display Ltd.	The Company's subsidiary
Warriors Technology Investments Ltd	The Company's subsidiary
Innolux Japan Co., Ltd.	The Company's subsidiary

For more information about the Company and other subsidiaries, please refer to Note 4(3) of the consolidated financial report for the year ended December 31, 2022.

(2) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
Subsidiaries	\$ 30,510,455	\$ 36,251,987
Other related parties	2,543,723	5,972,039
Associates	451,833	65,407
	<u>\$ 33,506,011</u>	<u>\$ 42,289,433</u>

The collection period was mainly 30~120 days upon shipment or on a monthly-closing basis to related parties. The sales prices and the trading terms to related parties above were not significantly different from those of sales to third parties.

B. Purchases of goods

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
Other related parties	\$ 670,248	\$ 326
Subsidiaries	50,773	105,508
Associates	434	—
	<u>\$ 721,455</u>	<u>\$ 105,834</u>

The payment term was 30~120 days to related parties after transaction date, and 30~180 days to non-related parties after delivery or on a monthly-closing basis. The purchase prices and the payment terms from related parties above were not materially different from those of purchases from third parties.

C. Consigned processing

(a) Consigned processing

	Years ended December 31,	
	2022	2021
Processing expense:		
Subsidiaries		
- Foshan Innolux Optoelectronics Ltd.	\$ 26,847,900	\$ 30,985,143
- Others	53,733,883	66,566,548
Other related parties	25,207	40,368
Associates	56	—
	<u>\$ 80,607,046</u>	<u>\$ 97,592,059</u>

(b) Balance of consigned processing at the end of year (shown as “other payables”)

	December 31, 2022	December 31, 2021
Payables to related parties:		
Subsidiaries	\$ 442,901	\$ 324,850
Other related parties	63,554	39,919
Associates	58	—
	<u>\$ 506,513</u>	<u>\$ 364,769</u>

The Company subcontracted the processing of products of associates in Mainland China. The processing fees were mainly charged based on cost plus method.

D. Service revenue (Shown as “other revenue”)

	Years ended December 31,	
	2022	2021
Service revenue:		
Subsidiaries		
- CARUX TECHNOLOGY PTE. LTD.	\$ 322,919	\$ 914,202
- Others	54,757	12,935
Associates	128,249	84,422
	<u>\$ 505,925</u>	<u>\$ 1,011,559</u>

E. Service expense (Shown as “manufacturing costs and operating expenses”)

	Years ended December 31,	
	2022	2021
Service expense:		
Subsidiaries	<u>\$ 294,561</u>	<u>\$ 566,722</u>

F. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Subsidiaries		
- CARUX TECHNOLOGY PTE. LTD.	\$ 8,636,351	\$ 4,068,272
- Others	2,928,070	4,739,284
Other related parties	572,491	1,259,528
Associates	106,188	64,692
	<u>\$ 12,243,100</u>	<u>\$ 10,131,776</u>

The receivables from related parties arise mainly from sales transactions. The receivables are due 30~120 days after the date of sale. The receivables are unsecured in nature and bear no interest.

G. Other receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables:		
Subsidiaries		
- CARUX TECHNOLOGY PTE. LTD.	\$ 359,471	\$ 1,335,185
- CarUX Technology Inc.	214,551	59,433
- Innolux USA Inc.	55	332,658
- Others	92,659	46,224
Associates	21,022	7,246
Other related parties	963	5,780
	<u>\$ 688,721</u>	<u>\$ 1,786,526</u>

H. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Subsidiaries		
- Ningbo Innolux Optoelectronics Ltd.	\$ 6,315,270	\$ 6,502,696
- Ningbo Innolux Display Ltd.	2,614,755	6,339,613
- Others	5,744,636	9,144,141
Other related parties	390,482	611,181
Associates	4,222	—
	<u>\$ 15,069,365</u>	<u>\$ 22,597,631</u>

The payables to related parties arise mainly from purchase and consigned processing transactions and are due 30~120 days after the date of purchase. The payables bear no interest.

I. Property transactions

Purchase of property

(a) Acquisition of property, plant and equipment:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ 8,258	\$ —
Subsidiaries	6,957	9,019
Other related parties	4,202	16,218
	<u>\$ 19,417</u>	<u>\$ 25,237</u>

(b) Period-end balances arising from purchases of property (shown as “other payables”):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ 1,406	\$ 8,368

Sale of property

(a) Proceeds from sale of property and gain on disposal:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Subsidiaries	\$ 337,898	\$ 1,228	\$ 129,335	\$ 1,634

(b) Period-end balances arising from sale of property (shown as ‘other receivables-related parties’):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ 115,288	\$ 35,731

J. Loans to/from related parties

Loans from related parties

(a) For the years ended December 31, 2022 and 2021, outstanding balance shown as 'other non-current liabilities':

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
- Warriors Technology Investments Ltd	\$ 3,623,780	\$ 3,266,240
- Innolux Japan Co., Ltd.	2,311,550	2,322,410
Others	234,046	210,954
	<u>\$ 6,169,376</u>	<u>\$ 5,799,604</u>

For the years ended December 31, 2022 and 2021, the loans from subsidiaries are repayable with five years. Refer to table 1 for information on loans to/from related parties.

(b) Interest expense

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Subsidiaries	\$ 22,585	\$ 24,595

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 76,078	\$ 393,112
Share-based payments	354	1,349
Post-employment benefits	540	723
	<u>\$ 76,972</u>	<u>\$ 395,184</u>

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Property, plant and equipment	\$ 53,534,257	\$ 63,072,940	Long-term borrowings
Other assets - others			
-Refundable deposits	846,036	762,562	Litigation guarantee
	<u>\$ 54,380,293</u>	<u>\$ 63,835,502</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies - Significant Litigations

- A. The Company's subsidiary in U.S. received a civil complaint from the government of Puerto Rico in September 2018, claiming that the company, together with other defendants of Taiwan, Japan and South Korea TFT - LCD companies, had unjustified enrichment from the TFT-LCD price conspiracy in 2006 and requested monetary compensation. The U.S. subsidiary of the Company retained lawyers to handle the lawsuit. On October 31, 2022, the court dismissed the case for lack of diligent prosecution.
- B. Bishop Display Tech LLC (Bishop) filed a lawsuit against the Company with the United States District Court for the Eastern District of Texas on October 3, 2022, alleging infringement of its US patent. The Company received the service of a complaint on October 28, 2022 and subsequently filed an answer to the complaint on January 26, 2023. Currently, the lawsuit has no impact on the Company's operations and financial position.
- C. The Company had assessed and recognized related losses and liabilities as shown in 'provisions-current' for the aforementioned investigation relating to anti-trust laws and patent litigation.

(2) Commitments

- A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 21,412,542</u>	<u>\$ 18,095,013</u>

- B. Outstanding letters of credit

The outstanding letters of credit for the acquisition of property, plant and equipment are as follows:

	December 31, 2022	December 31, 2021
Outstanding letters of credit	<u>\$ 349,512</u>	<u>\$ 59,655</u>

- C. On August 3, 2021, the Board of Directors of the Company resolved to enter into a long-term strategic partnership supply contract with SDP Global(China) Co., LTD. The total price of the contract amounted to RMB 4 billion and will be prepaid based on agreed payment terms. As of December 31, 2022, the remaining amount the Group hasn't paid was RMB 1.1 billion. SDP Global (China) Co., LTD. committed to supply certain products in specified quantities each year from January 1, 2022 to December 31, 2033 to the Company and its subsidiary, Foshan Innolux Optoelectronics Ltd. The abovementioned prepayments to suppliers of the Company are shown

as 'prepayments' and 'other non-current assets' based on liquidity amounting to \$0 and \$2,033,258, respectively, as of December 31, 2022 and \$434,150 and \$1,736,600, respectively, as of December 31, 2021.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives are to maintain an optimal capital structure, and constructively reduce the debt ratio and the cost of capital in order to maximize shareholders' equity.

(2) Financial instruments

A. Financial instruments by category

For information of the Company's financial assets (financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties) and partial other assets-others (including current and non-current portion)) and financial liability (financial liabilities at fair value through profit or loss, accounts payable (including related parties), other payables, lease liability, long-term borrowings (including current portion) and certain other non-current liabilities), please refer to Note 6 and parent company only balance sheets.

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Note 6(2)).

(b) Risk management is carried out by the treasury department under policies approved by the board of directors. The Company's treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment by excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future

commercial transactions, recognized assets and liabilities and net investments in foreign operations.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure via the Company's treasury departments. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Company use forward foreign exchange contracts and foreign exchange swap contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). Based on the simulations performed, the impact on pre-tax profit of a 1% exchange rate fluctuation would be an increase of \$408,148 and \$433,798 for the years ended December 31, 2022 and 2021, respectively. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022			December 31, 2021		
	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 2,627,500	30.71	\$ 80,690,525	\$ 3,317,956	27.68	\$ 91,841,022
RMB	571,119	4.41	2,518,635	613,815	4.34	2,663,957
HKD	53,706	3.94	211,602	65,269	3.55	231,705
JPY	862,142	0.23	198,293	8,354,507	0.24	2,005,082
EUR	3,908	32.72	127,870	3,107	31.32	97,311
<u>Non-monetary items</u>						
USD	\$ 2,885,671	30.71	\$ 88,618,956	\$ 3,102,225	27.68	\$ 85,869,588
JPY	9,051,976	0.23	2,081,954	8,192,139	0.24	1,966,113
RMB	252,911	4.41	1,115,338	289,659	4.34	1,257,120
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 1,200,928	30.71	\$ 36,880,499	\$ 1,623,051	27.68	\$ 44,926,052
JPY	25,663,387	0.23	5,902,579	35,304,252	0.24	8,473,020
EUR	4,556	32.72	149,072	1,918	31.32	60,072

Note: Exchange rate represents the amount of NT dollars for which one foreign currency could be exchanged.

- iv. Total exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 amounted to \$5,741,912 and \$(42,190), respectively.

Price risk

- i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the parent company only balance sheet as financial assets at fair value through profit or loss and financial assets at fair value through other

comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done by the Company in respect of the targets and stages.

- ii. The Company's investments in equity securities comprise domestic listed and unlisted stocks and beneficiary certificates. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 20% with all other variables held constant, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$402,364 and \$3,239,387, respectively; other comprehensive gains and losses would have increased/decreased by \$420,195 and \$941,251, respectively.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Company's borrowings at variable rate were denominated in the NTD.
- ii. The Company analysis its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.
- iii. If the borrowing interest rate of NTD had increased/decreased by 0.25% with all other variables held constant, pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by \$89,000 and \$110,875, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost and accounts receivable held by the Company was its carrying amount.
- ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on

internal or external ratings in accordance with limits set by the managements. The utilization of credit limits is regularly monitored.

- iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Company classifies customer's accounts receivable in accordance with credit rating of customer, credit risk on trade and customer types. The Company applies the simplified approach using provision matrix to estimate expected credit loss.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) Default or delinquency in interest or principal repayments;
 - (iii) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Company uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. According to abovementioned consideration and information, the Company does not expect any significant default possibility of accounts receivable.
- viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022
	Accounts receivable
At December 31 (January 1)	\$ 262,564
	2021
	Accounts receivable
At January 1	\$ 209,373
Provision for impairment	53,191
At December 31	\$ 262,564

- ix. The Company's financial assets at amortized cost have low credit risk, and the Company did not recognize significant loss allowance in accordance with 12 months expected credit losses.

(c) Liquidity risk

- i. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt

financing plans, covenant compliance, compliance with internal balance sheet ratio targets and external regulatory or legal requirements.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company's treasury. Company treasury invests surplus cash in interest bearing savings accounts, time deposits, money market deposits and marketable securities. The Company chooses instruments that are with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. These are expected to readily generate cash inflows for managing liquidity risk.
- iii. The information below analysis the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities :

December 31, 2022	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Lease liability (Note)	\$ 694,870	\$ 1,162,466	\$ 1,022,382	\$ 1,947,699	\$ 4,827,417
Long-term borrowings (including current portion)	8,752,778	26,587,500	259,722	—	35,600,000
Other non-current liabilities	—	—	6,169,376	—	6,169,376
December 31, 2021	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Lease liability (Note)	\$ 681,819	\$ 1,306,820	\$ 1,020,866	\$ 2,361,435	\$ 5,370,940
Long-term borrowings (including current portion)	8,750,000	35,056,944	543,056	—	44,350,000
Other non-current liabilities	—	—	5,799,604	—	5,799,604

Note: The Company applied a 1-year grace period for land rental payment starting from September 2020. The payment is repayable in 36 equal monthly installments for 3 years.

Except for the above, the non-derivative and derivative financial liabilities of the Company are all due within one year.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), financial assets at amortized cost, partial other assets-others (including current and non-current portion), accounts payable (including related parties), other payables, lease liability, long-term borrowings (including current portion) and partial other non-current liabilities are approximate to their fair values.

	December 31, 2022			
	Book value	Fair value		
	Level 1	Level 2	Level 3	
Financial assets:				
Corporate bonds	\$ 6,073,581	\$ —	\$ 5,943,761	\$ —
		December 31, 2021		
	Book value	Fair value		
	Level 1	Level 2	Level 3	
Financial assets:				
Corporate bonds	\$ 7,693,454	\$ —	\$ 7,830,698	\$ —

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 834,038	\$ —	\$ 1,177,783	\$ 2,011,821
Forward foreign exchange contracts	—	342,475	—	342,475
Foreign exchange swap contracts	—	43,028	—	43,028
Financial assets at fair value through other comprehensive income				
Equity securities	2,100,977	—	—	2,100,977
	<u>\$ 2,935,015</u>	<u>\$ 385,503</u>	<u>\$ 1,177,783</u>	<u>\$ 4,498,301</u>

December 31, 2022	Level 1	Level 2	Level 3	Total
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 289,691	\$ —	\$ 289,691
Foreign exchange swap contracts	—	39,490	—	39,490
	<u>\$ —</u>	<u>\$ 329,181</u>	<u>\$ —</u>	<u>\$ 329,181</u>
December 31, 2021	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 968,335	\$ —	\$ 1,325,375	\$ 2,293,710
Forward foreign exchange contracts	—	54,965	—	54,965
Foreign exchange swap contracts	—	130,283	—	130,283
Beneficiary certificates	13,903,225	—	—	13,903,225
Financial assets at fair value through other comprehensive income				
Equity securities	4,706,256	—	—	4,706,256
	<u>\$19,577,816</u>	<u>\$ 185,248</u>	<u>\$ 1,325,375</u>	<u>\$21,088,439</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 198,896	\$ —	\$ 198,896

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Emerging stocks	Corporate bond
Market quoted price	Closing price	Last transaction price	Weighted average quoted price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing

models. Forward foreign exchange contracts and foreign exchange swap contracts are usually valued based on the current forward exchange rate. Convertible bonds derivative instruments are measured by using appropriate option pricing models (binary tree model for convertible bond pricing).

- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. The following table presents the changes in Level 3 instruments for the years ended December 31, 2022 and 2021:

	2022	2021
Financial assets at fair value through profit or loss / Financial assets at fair value through other comprehensive income	Equity securities	
At January 1	\$ 1,325,375	\$ 2,484,769
Gains and losses recognized in profit or loss	(147,592)	(102,533)
Gains and losses recognized in other comprehensive income	—	3,980,352
Transfers to Level 1	—	(4,937,575)
Proceeds from capital reduction	—	(99,638)
At December 31	<u>\$ 1,177,783</u>	<u>\$ 1,325,375</u>
Financial liabilities at fair value through profit or loss	2021 Derivative instruments	
At January 1		\$ 3,208,560
Gains and losses recognized in profit or loss		2,146,546
Conversion during the year		(5,355,106)
At December 31		<u>\$ —</u>

G. Investment management segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Convertible bonds derivative instruments are evaluated through outsourced appraisal performed by the external valuer.

Investment management segment set up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 1,132,134	Market comparable companies	Price to sales ratio multiple, price to book ratio multiple	1.04~2.40 (1.19)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30% (30%)	The higher the discount for lack of marketability, the lower the fair value
	45,649	Net asset value	Discount for lack of marketability	27% (27%)	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 40,093	Market comparable companies	Price to sales ratio multiple, price to book ratio multiple	1.39~2.73 (2.20)	The higher the multiple, the higher the fair value
	1,257,556	Using the last transaction price in an inactive market	Discount for lack of marketability	30% (30%)	The higher the discount for lack of marketability, the lower the fair value
	27,726	Net asset value	Discount for lack of marketability	25% (25%)	The higher the discount for lack of marketability, the lower the fair value
				12% (12%)	The higher the discount for lack of marketability, the lower the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022				
		Recognized in profit or loss		Recognized in other comprehensive income		
Financial assets	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	Liquidity discount	± 1%	\$ 16,796	\$ (16,796)	\$ —	\$ —
		December 31, 2021				
		Recognized in profit or loss		Recognized in other comprehensive income		
Financial assets	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	Liquidity discount	± 1%	\$ 17,609	\$ (17,609)	\$ —	\$ —

(4) Other matter

The Company implemented epidemic prevention measures in response to the Covid-19 outbreak and the government's epidemic prevention measures. The epidemic did not make a significant impact on the Company's operations and business for the year ended December 31, 2022.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to Table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to Table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to Table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to Table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 1, 4, 5 and 6.

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: None.

14. SEGMENT INFORMATION

None.

Innolux Corporation
Loans to others
For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance as at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Innocom Technology (Shenzhen) Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Other receivables	Yes	\$ 6,614,934	\$ 6,614,934	\$ 6,614,934	2.00%	Short-term financing	\$ —	Operating support	\$ —	—	\$ —	24,417,738	24,417,738	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo Innolux Optoelectronics Ltd.	Other receivables	Yes	2,204,978	2,204,978	220,498	2.00%	Short-term financing	—	Operating support	—	—	—	24,417,738	24,417,738	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo Innolux Display Ltd.	Other receivables	Yes	3,086,969	3,086,969	2,513,675	2.00%	Short-term financing	—	Operating support	—	—	—	24,417,738	24,417,738	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Shanghai Innolux Optoelectronics Ltd.	Other receivables	Yes	1,322,987	1,322,987	1,146,588	2.00%	Short-term financing	—	Operating support	—	—	—	24,417,738	24,417,738	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Nanjing Innolux Optoelectronics Ltd.	Other receivables	Yes	3,086,969	3,086,969	793,792	2.00%	Short-term financing	—	Operating support	—	—	—	24,417,738	24,417,738	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo CarUX Technology Ltd.	Other receivables	Yes	2,469,575	2,469,575	749,692	2.00%	Short-term financing	—	Operating support	—	—	—	24,417,738	24,417,738	A
2	Innolux Japan Co., Ltd.	Innolux Corporation	Other receivables	Yes	2,311,550	2,311,550	2,311,550	1.00%	Long-term and short-term financing	—	Operating support	—	—	—	7,728,432	7,728,432	A
3	Innolux Holding Limited	Innolux Corporation	Other receivables	Yes	234,046	234,046	234,046	0.00%	Long-term and short-term financing	—	Operating support	—	—	—	37,139,690	37,139,690	A
4	Warriors Technology Investments Ltd	Innolux Corporation	Other receivables	Yes	3,623,780	3,623,780	3,623,780	0.00%	Long-term and short-term financing	—	Operating support	—	—	—	12,205,078	12,205,078	A
5	Innolux Hong Kong Limited	Innolux Hong Kong Holding Limited	Other receivables	Yes	1,701,334	1,701,334	1,701,334	0.00%	Long-term and short-term financing	—	Operating support	—	—	—	3,424,240	3,424,240	A
6	Innolux Hong Kong Holding Limited	CARUX TECHNOLOGY PTE. LTD.	Other receivables	Yes	1,698,263	1,698,263	1,698,263	3.82%	Long-term and short-term financing	—	Operating support	—	—	—	10,166,738	10,166,738	A

Note A:

- 1.For loans obtained for short-term financing, financial limit on loans granted to a single party shall not exceed 10% of the Group's net equity, based on the most recent audited or reviewed financial statements of the creditor.
- 2.The financial limit on loans granted shall not exceed 40% of the creditor's net equity. If it is for short-term capital needs, the limit shall not exceed 30% of the creditor's net equity, based on the most recent audited or reviewed financial statements of the creditor.
- 3.The policy for loans granted to direct or indirect wholly-owned ultimate parent company or overseas subsidiaries is as follows: for short-term capital needs, financial limit is not restricted to the abovementioned two rules, however, financial limit on total loans granted and limit on loans granted to a single party for the overseas subsidiaries should not exceed 200% of the creditor's net equity.

Innolux Corporation
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Shares/Units	Book value	Ownership (%)	Fair value	
	Common stock							
Innolux Corporation	AvanStrate Inc.	None	Financial assets at fair value through profit or loss	900,000	\$ 10,789	1	\$ 10,789	
Innolux Corporation	TPV Technology Limited	None	Financial assets at fair value through profit or loss	60,200,000	1,115,187	3	1,115,187	
Innolux Corporation	Chi Lin Optoelectronics Co., Ltd.	Other related party	Financial assets at fair value through profit or loss	4,270,212	45,649	19	45,649	
Innolux Corporation	Cheng Mei Materials Technology Corporation	None	Financial assets at fair value through profit or loss	57,211,305	564,103	8	564,103	
Innolux Corporation	General Interface Solution (GIS) Holding Limited	None	Financial assets at fair value through profit or loss	1,669,000	146,872	—	146,872	
Innolux Corporation	Obsidian Sensors, Inc.	None	Financial assets at fair value through profit or loss	477,142	6,158	12	6,158	
Innolux Corporation	VIZIO Holding Corp.	None	Financial assets at fair value through other comprehensive income	8,347,068	1,899,468	4	1,899,468	
Innolux Corporation	Cathay Financial Holding Co., Ltd. Preferred Stock A	None	Financial assets at fair value through other comprehensive income	1,027,000	58,128	—	58,128	
Innolux Corporation	TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Stock E	None	Financial assets at fair value through other comprehensive income	263,000	13,571	—	13,571	
Innolux Corporation	Chailease Holding Company Limited Class A Preferred Shares	None	Financial assets at fair value through other comprehensive income	674,000	65,985	—	65,985	
Innolux Corporation	Fubon Financial Holding Co., Ltd. Preferred Shares B	None	Financial assets at fair value through other comprehensive income	1,110,000	63,825	—	63,825	
Innolux Corporation	ENNOSTAR Inc.	None	Financial assets at fair value through profit or loss	2,750,000	123,063	—	123,063	
Yuan Chi Investment Co., Ltd.	Trillion Science, Inc.	None	Financial assets at fair value through profit or loss	1,439,180	—	3	—	
Yuan Chi Investment Co., Ltd.	Cheng Mei Materials Technology Corporation	None	Financial assets at fair value through profit or loss	315,000	3,106	—	3,106	
Yuan Chi Investment Co., Ltd.	WPG Holdings Limited Preferred Share A	None	Financial assets at fair value through other comprehensive income	1,520,000	74,480	1	74,480	
Yuan Chi Investment Co., Ltd.	WT MICROELECTRONICS CO., LTD. Preferred Shares A	None	Financial assets at fair value through other comprehensive income	176,000	8,404	—	8,404	
Yuan Chi Investment Co., Ltd.	VISIONATICS INC.	Other related party	Financial assets at fair value through other comprehensive income	300,000	1,673	10	1,673	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Shares/Units	Book value	Ownership (%)	Fair value	
	<u>Common stock</u>							
Yuan Chi Investment Co., Ltd.	Clarix Imaging Corporation	None	Financial assets at fair value through profit or loss	113,033	\$ 2,105	1	\$ 2,105	
InnoJoy Investment Corporation	Advanced Optoelectronic Technology, Inc.	None	Financial assets at fair value through profit or loss	6,964,222	118,740	5	118,740	
InnoJoy Investment Corporation	ENNOSTAR Inc.	None	Financial assets at fair value through profit or loss	954,000	42,692	—	42,692	
InnoJoy Investment Corporation	EPILEDs Co., Ltd.	Other related party	Financial assets at fair value through other comprehensive income	7,347,144	104,329	7	104,329	
InnoJoy Investment Corporation	Fitipower Integrated Technology Inc.	None	Financial assets at fair value through other comprehensive income	9,000,000	1,039,500	5	1,039,500	
Ningbo Innolux Optoelectronics Ltd.	上海辰岱投資中心(有限合夥)	None	Financial assets at fair value through profit or loss	—	—	—	—	
Ningbo Innolux Optoelectronics Ltd.	Shenzhen Tiandeyu Electronics Co., Ltd.	None	Financial assets at fair value through profit or loss	30,599,775	2,263,005	8	2,263,005	
Warriors Technology Investments Ltd	OED Holding Ltd.	None	Financial assets at fair value through profit or loss	16,000,000	40,042	6	40,042	
Warriors Technology Investments Ltd	Obsidian Sensors, Inc.	None	Financial assets at fair value through profit or loss	414,136	5,345	11	5,345	
Warriors Technology Investments Ltd	Reco Technology Holding Limited	None	Financial assets at fair value through profit or loss	2,016,000	23,805	3	23,805	
Warriors Technology Investments Ltd	Kymeta Corporation	None	Financial assets at fair value through other comprehensive income	1,027,371	15,407	—	15,407	
Warriors Technology Investments Ltd	General Interface Solution (GIS) Holding Limited	None	Financial assets at fair value through other comprehensive income	22,525,000	1,982,200	7	1,982,200	
Warriors Technology Investments Ltd	CJK Associates Co., Ltd.	None	Financial assets at fair value through other comprehensive income	4,000	693	14	693	
Warriors Technology Investments Ltd	Perinnova Limited	Other related party	Financial assets at fair value through other comprehensive income	1,900	—	19	—	
Warriors Technology Investments Ltd	KA Imaging Inc.	Other related party	Financial assets at fair value through other comprehensive income	1,819,240	3,343	12	3,343	
Nets Trading Ltd.	PilotTech Global Fund	None	Financial assets at fair value through profit or loss	90	21,997	—	21,997	
	<u>Convertible bonds</u>							
Warriors Technology Investments Ltd	KA Imaging Inc.	Other related party	Financial assets at fair value through profit or loss	—	98,808	Not applicable	98,808	
Warriors Technology Investments Ltd	Obsidian Sensors, Inc.	None	Financial assets at fair value through profit or loss	—	95,180	Not applicable	95,180	
	<u>Financial products</u>							
Innolux Corporation	Fixed Income RMB-Structured Deposits	None	Financial assets at amortized cost	—	485,038	Not applicable	485,038	
Innolux Corporation	Fixed Income Structured Linked Deposit	None	Financial assets at amortized cost	—	1,535,500	Not applicable	1,535,500	
Ningbo Innolux Display Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregated group pension plan	None	Financial assets at fair value through profit or loss	—	8,455	Not applicable	8,455	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Shares/Units	Book value	Ownership (%)	Fair value	
	<u>Financial products</u>							
Foshan Innolux Optoelectronics Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregare group pension plan	None	Financial assets at fair value through profit or loss	—	\$ 31,813	Not applicable	\$ 31,813	
Ningbo Innolux Electronics Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregare group pension plan	None	Financial assets at fair value through profit or loss	—	272	Not applicable	272	
Ningbo Innolux Optoelectronics Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregare group pension plan	None	Financial assets at fair value through profit or loss	—	41,300	Not applicable	41,300	
Ningbo CarUX Technology Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregare group pension plan	None	Financial assets at fair value through profit or loss	—	1,327	Not applicable	1,327	
Nanjing Innolux Optoelectronics Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregare group pension plan	None	Financial assets at fair value through profit or loss	—	17,913	Not applicable	17,913	
Innocom Technology (Shenzhen) Co., Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregare group pension plan	None	Financial assets at fair value through profit or loss	—	7,917	Not applicable	7,917	
Shanghai Innolux Optoelectronics Ltd.	Chang Jiang Sheng Shih Ru Yi Serials A congregare group pension plan	None	Financial assets at fair value through profit or loss	—	5,785	Not applicable	5,785	
	<u>Bonds</u>							
Innolux Corporation	Taiwan Mobile Co., Ltd.	None	Financial assets at amortized cost	—	200,329	Not applicable	199,960	
Innolux Corporation	Nan Ya Plastics Corporation	None	Financial assets at amortized cost	—	125,442	Not applicable	124,887	
Innolux Corporation	Highwealth Construction corp.	None	Financial assets at amortized cost	—	250,586	Not applicable	249,975	
Innolux Corporation	Far Eastern New Century Corporation Co., Ltd.	None	Financial assets at amortized cost	—	125,339	Not applicable	124,875	
Innolux Corporation	Far Eastone Telecommunications, 2017, Third	None	Financial assets at amortized cost	—	100,285	Not applicable	99,970	
Innolux Corporation	Far Eastone Telecommunications, 2018, First	None	Financial assets at amortized cost	—	100,177	Not applicable	99,980	
Innolux Corporation	Taipei Financial Center Corporation	None	Financial assets at amortized cost	—	200,029	Not applicable	199,980	
Innolux Corporation	Taiwan Semiconductor Manufacturing Co., Ltd.	None	Financial assets at amortized cost	—	100,013	Not applicable	99,990	
Innolux Corporation	ADCB Finance Cayman LTD.	None	Financial assets at amortized cost	—	154,912	Not applicable	153,191	
Innolux Corporation	Agricultural Bank of China (New York Branch)	None	Financial assets at amortized cost	—	292,361	Not applicable	279,977	
Innolux Corporation	Arab Petroleum Investments Corporation	None	Financial assets at amortized cost	—	168,609	Not applicable	162,794	
Innolux Corporation	Bank of Communications (Hong Kong Branch)	None	Financial assets at amortized cost	—	184,774	Not applicable	184,561	
Innolux Corporation	Daimler Finance North America LLC	None	Financial assets at amortized cost	—	155,276	Not applicable	152,804	
Innolux Corporation	Doosan Infracore Co., Ltd.	None	Financial assets at amortized cost	—	246,308	Not applicable	240,346	
Innolux Corporation	Emirates NBD Bank PJSC	None	Financial assets at amortized cost	—	307,100	Not applicable	300,348	
Innolux Corporation	FAB Sukuk Co. Ltd.	None	Financial assets at amortized cost	—	247,081	Not applicable	245,046	
Innolux Corporation	GS Caltex Corporation	None	Financial assets at amortized cost	—	156,016	Not applicable	152,575	
Innolux Corporation	Hyundai Capital America	None	Financial assets at amortized cost	—	37,365	Not applicable	36,572	
Innolux Corporation	Industrial and Commercial Bank of China Limited (Hong Kong Branch)	None	Financial assets at amortized cost	—	276,960	Not applicable	270,712	
Innolux Corporation	KIA Corporation	None	Financial assets at amortized cost	—	299,324	Not applicable	295,106	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Shares/Units	Book value	Ownership (%)	Fair value	
	Bonds							
Innolux Corporation	Korea Resources Corporation	None	Financial assets at amortized cost	—	\$ 310,206	Not applicable	\$ 306,131	
Innolux Corporation	NongHyup Bank	None	Financial assets at amortized cost	—	186,388	Not applicable	181,387	
Innolux Corporation	POSCO	None	Financial assets at amortized cost	—	281,750	Not applicable	274,157	
Innolux Corporation	Saudi Electricity Global SUKUK Company 4	None	Financial assets at amortized cost	—	286,768	Not applicable	273,937	
Innolux Corporation	Shinhan Bank	None	Financial assets at amortized cost	—	284,358	Not applicable	273,715	
Innolux Corporation	Siam Commercial Bank Cayman Islands	None	Financial assets at amortized cost	—	212,201	Not applicable	208,592	
Innolux Corporation	Sinopec Capital 2013 LTD.	None	Financial assets at amortized cost	—	35,289	Not applicable	34,808	
Innolux Corporation	SK broadband CO. LTD.	None	Financial assets at amortized cost	—	156,751	Not applicable	152,378	
Innolux Corporation	Societe Generale SA	None	Financial assets at amortized cost	—	283,620	Not applicable	274,122	
Innolux Corporation	Sumitomo Mitsui Trust Bank	None	Financial assets at amortized cost	—	307,964	Not applicable	290,885	

Innolux Corporation
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2022 (Note 6)		
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Selling price	Book value	Gain (loss) on disposal	Shares/Units	Amount
Innolux Corporation	Taishin Ta-Chong Money Market Fund	Note 4	—	—	69,820,457	\$1,001,951	—	\$ —	69,820,457	\$ 1,004,968	\$1,004,968	\$ —	—	\$ —
Innolux Corporation	Jih Sun Money Market Fund	Note 4	—	—	150,267,533	2,252,075	—	—	150,267,533	2,259,483	2,259,483	—	—	—
Innolux Corporation	Capital Money Market Fund	Note 4	—	—	92,184,251	1,502,336	—	—	92,184,251	1,507,056	1,507,056	—	—	—
Innolux Corporation	Union Money Market Fund	Note 4	—	—	66,065,266	881,066	—	—	66,065,266	884,178	884,178	—	—	—
Innolux Corporation	Taishin 1699 Money Market Fund	Note 4	—	—	180,718,346	2,471,974	—	—	180,718,346	2,480,938	2,480,938	—	—	—
Innolux Corporation	FSITC Money Market Fund	Note 4	—	—	5,164,587	930,746	—	—	5,164,587	933,318	933,318	—	—	—
Innolux Corporation	Mega Diamond Money Market Fund	Note 4	—	—	181,530,803	2,301,375	—	—	181,530,803	2,308,636	2,308,636	—	—	—
Innolux Corporation	FSITC Taiwan Money Market	Note 4	—	—	90,561,003	1,401,096	—	—	90,561,003	1,405,525	1,405,525	—	—	—
Innolux Corporation	Yuanta De-Li Money Market Fund	Note 4	—	—	18,225,781	300,186	—	—	18,225,781	301,214	301,214	—	—	—
Innolux Corporation	Hua Nan Phoenix Money Market Fund	Note 4	—	—	46,301,937	760,259	—	—	46,301,937	762,982	762,982	—	—	—
Innolux Corporation	Fixed Income Structured Linked Deposit	Note 5	—	—	—	4,705,600	—	—	—	4,792,941	4,699,650	93,291	—	—
Innolux Corporation	Fixed Income Structured Linked Deposit	Note 5	—	—	—	—	—	1,490,250	—	1,508,402	1,490,250	18,152	—	—

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2022 (Note 6)		
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Selling price	Book value	Gain (loss) on disposal	Shares/Units	Amount
Innolux Corporation	Fixed Income Structured Linked Deposit	Note 5	—	—	—	\$ —	—	\$1,594,750	—	\$ —	\$ —	\$ —	—	\$1,535,500
Ningbo Innolux Optoelectronics Ltd.	Floating Income RMB-Structured Deposits	Note 4	—	—	—	1,315,317	—	—	—	1,308,119	1,308,119	—	—	—
Ningbo Innolux Optoelectronics Ltd.	Floating Income RMB-Structured Deposits	Note 4	—	—	—	1,954,213	—	—	—	1,944,648	1,944,648	—	—	—

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for using the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Code of general ledger account is "financial assets at fair value through profit or loss". Due to adoption of IFRS, it would be valued at fair value rather than recognized disposal gain or loss.

Note 5: Code of general ledger account is "financial assets at amortized cost". The gain or loss due to disposal is interest income.

Note 6: The carrying amount as at December 31, 2022 included gains or losses on valuation.

Innolux Corporation
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	Sales	\$ 14,285,493	7	60 days	Similar with general sales	No material difference	\$ 8,636,351	24	
Innolux Corporation	Innolux USA Inc.	An indirect wholly-owned subsidiary	Sales	13,596,799	7	120 days	Similar with general sales	No material difference	2,707,347	7	
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	1,678,216	1	60-90 days	Similar with general sales	No material difference	59,044	—	
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Sales	1,088,144	1	90 days	Similar with general sales	No material difference	239,433	1	
Innolux Corporation	HONGFUJIN PRECISION ELECTRONICS (YANTAI) CO., LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	1,004,164	1	60 days	Similar with general sales	No material difference	284,302	1	
Innolux Corporation	InnoCare Optoelectronics Corporation	A subsidiary of the Company	Sales	485,000	—	90 days	Similar with general sales	No material difference	131,258	—	
Innolux Corporation	PanelSemi Corporation	Associates	Sales	382,607	—	60 days	Similar with general sales	No material difference	76,578	—	
Innolux Corporation	Honfujin Precision Electronics (Chongqing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	363,565	—	45 days	Similar with general sales	No material difference	44,127	—	
Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	184,656	—	90 days	Similar with general sales	No material difference	—	—	
Innolux Corporation	Innolux Japan Co., Ltd.	A subsidiary of the Company	Sales	169,530	—	60 days	Similar with general sales	No material difference	13,318	—	
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	508,674	—	90 days	Single purchases target, no basis for comparison	No material difference	(351,866)	1	
Innolux Corporation	FORTUNEBAY TECHNOLOGY PTE LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	161,574	—	60 days	Single purchases target, no basis for comparison	No material difference	(38,616)	—	
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Processing expense	26,847,900	12	60 days	Cost plus	No material difference	(3,036,042)	9	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Innolux Corporation	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	Processing expense	\$ 21,075,839	10	60 days	Cost plus	No material difference	\$ (2,614,755)	8	
Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Processing expense	20,459,820	9	60 days	Cost plus	No material difference	(6,315,270)	19	
Innolux Corporation	Nanjing Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Processing expense	10,780,704	5	60 days	Cost plus	No material difference	(2,582,151)	8	
Innolux Corporation	Ningbo CarUX Technology Ltd.	An indirect wholly-owned subsidiary	Processing expense	1,046,685	—	60 days	Cost plus	No material difference	(116,848)	—	
Innolux Corporation	Innocom Technology (Shenzhen) Co., Ltd.	An indirect wholly-owned subsidiary	Processing expense	363,236	—	60 days	Cost plus	No material difference	(438,899)	2	
Shanghai Innolux Optoelectronics Ltd.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	Processing revenue	9,915,759	79	60 days	Similar with general transactions	No material difference	1,266,921	63	
CarUX Technology Inc.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	Processing revenue	8,202,602	100	60 days	Similar with general transactions	No material difference	2,142,022	98	
Innolux Japan Co., Ltd.	Innolux Corporation	Ultimate parent company	Service revenue	290,198	59	60 days	Similar with general transactions	No material difference	47,846	82	
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	Sales	6,824,316	17	60 days	Similar with general transactions	No material difference	557,713	8	
Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	1,370,786	4	60 days	Similar with general transactions	No material difference	87,780	2	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	An indirect wholly-owned subsidiary	Sales	676,264	41	60 days	Similar with general transactions	No material difference	240,817	56	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	An indirect wholly-owned subsidiary	Sales	394,403	24	60 days	Similar with general transactions	No material difference	67,105	15	
InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	An indirect wholly-owned subsidiary	Sales	227,435	14	60 days	Similar with general transactions	No material difference	43,082	10	
Ningbo Innolux Display Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,732,954	5	90 days	Similar with general transactions	No material difference	(260,648)	5	
Ningbo Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,566,932	4	90 days	Similar with general transactions	No material difference	(263,603)	6	
Ningbo Innolux Display Ltd.	PanelSemi Corporation	Associates	Purchases	211,771	1	60 days	Similar with general transactions	No material difference	(45,239)	1	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Ningbo Innolux Optoelectronics Ltd.	FORTUNEBAY TECHNOLOGY PTE LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	\$ 112,271	—	60 days	Similar with general transactions	No material difference	\$ (62,340)	2	
Nanjing Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	110,996	1	90 days	Similar with general transactions	No material difference	(35,938)	3	
Foshan Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	107,328	—	90 days	Similar with general transactions	No material difference	(22,934)	—	
Innolux Europe B.V.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	Service revenue	841,485	99	60 days	Similar with general transactions	No material difference	140,133	99	

Innolux Corporation
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022 (Note A)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	\$ 8,636,351	2.25	\$ 3,604,698	Subsequent collection	\$ 1,198,355	\$ —
Innolux Corporation	Innolux USA Inc.	An indirect wholly-owned subsidiary	2,707,347	4.35	707,536	Subsequent collection	1,063,951	—
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	359,471	—	103,728	Subsequent collection	1,692	—
Innolux Corporation	HONGFUJIN PRECISION ELECTRONICS (YANTAI) CO., LTD.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	284,302	5.07	—	—	182,908	—
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	239,433	1.92	3,673	Subsequent collection	49,248	—
Innolux Corporation	CarUX Technology Inc.	An indirect wholly-owned subsidiary	214,551 (Shown as other receivables)	—	178,436	Subsequent collection	—	—
Innolux Corporation	InnoCare Optoelectronics Corporation	A subsidiary of the Company	131,258	1.58	—	—	56,054	—
Ningbo Innolux Optoelectronics Ltd.	Innolux Corporation	Ultimate parent company	6,315,270	3.19	2,397,662	Subsequent collection	430,727	—
Foshan Innolux Optoelectronics Ltd.	Innolux Corporation	Ultimate parent company	3,036,042	7.16	—	—	2,057,586	—
Ningbo Innolux Display Ltd.	Innolux Corporation	Ultimate parent company	2,614,755	4.71	—	—	1,996,453	—
Nanjing Innolux Optoelectronics Ltd.	Innolux Corporation	Ultimate parent company	2,582,151	8.35	463,939	Subsequent collection	441,515	—

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022 (Note A)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CarUX Technology Inc.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	\$ 2,142,022	4.12	\$ —	—	\$ 1,228,421	\$ —
Shanghai Innolux Optoelectronics Ltd.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	1,266,921	7.64	—	—	1,266,921	—
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	557,713	6.76	—	—	270,703	—
Innocom Technology (Shenzhen) Co., Ltd.	Innolux Corporation	Ultimate parent company	438,899	0.96	390,503	Subsequent collection	—	—
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	An indirect wholly-owned subsidiary	240,817	5.99	5,461	Subsequent collection	123,037	—
Innolux Europe B.V.	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	140,133	5.93	74,674	Subsequent collection	—	—
Ningbo CarUX Technology Ltd.	Innolux Corporation	Ultimate parent company	116,848	10.90	—	—	116,848	—

Note A : For the information on receivables of loans to related parties reaching NT\$100 million or 20% of paid-in capital or more, please refer to Table 1.

Innolux Corporation
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note A)	Company name	Counterparty	Relationship (Note B)	Transaction (Note D and E)			
				General ledger account	Amount	Transaction terms (Note C)	Percentage of consolidated total operating revenues or total assets
0	Innolux Corporation	Innocom Technology (Shenzhen) Co., Ltd.	1	Processing expense	\$ 363,236	—	—
0	Innolux Corporation	Innocom Technology (Shenzhen) Co., Ltd.	1	Accrued expenses	(438,899)	—	—
0	Innolux Corporation	Nanjing Innolux Optoelectronics Ltd.	1	Processing expense	10,780,704	—	5
0	Innolux Corporation	Nanjing Innolux Optoelectronics Ltd.	1	Accrued expenses	(2,582,151)	—	1
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Sales	184,656	—	—
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Processing expense	20,459,820	—	9
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Accrued expenses	(6,315,270)	—	2
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Sales	1,678,216	—	1
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Processing expense	26,847,900	—	12
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Accrued expenses	(3,036,042)	—	1
0	Innolux Corporation	Ningbo Innolux Display Ltd.	1	Processing expense	21,075,839	—	9
0	Innolux Corporation	Ningbo Innolux Display Ltd.	1	Accrued expenses	(2,614,755)	—	1
0	Innolux Corporation	Innolux Japan Co., Ltd.	1	Sales	169,530	—	—
0	Innolux Corporation	Innolux USA Inc.	1	Sales	13,596,799	—	6
0	Innolux Corporation	Innolux USA Inc.	1	Accounts receivable	2,707,347	—	1
0	Innolux Corporation	CarUX Technology Inc.	1	Other receivables	214,551	—	—
0	Innolux Corporation	InnoCare Optoelectronics Corporation	1	Sales	485,000	—	—
0	Innolux Corporation	InnoCare Optoelectronics Corporation	1	Accounts receivable	131,258	—	—
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Sales	14,285,493	—	6
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Service revenue	322,919	—	—

Number (Note A)	Company name	Counterparty	Relationship (Note B)	Transaction (Note D and E)			
				General ledger account	Amount	Transaction terms (Note C)	Percentage of consolidated total operating revenues or total assets
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Accounts receivable	\$ 8,636,351	—	2
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Other receivables	359,471	—	—
0	Innolux Corporation	Ningbo CarUX Technology Ltd.	1	Processing expense	1,046,685	—	—
0	Innolux Corporation	Ningbo CarUX Technology Ltd.	1	Accrued expenses	(116,848)	—	—
1	Shanghai Innolux Optoelectronics Ltd.	CARUX TECHNOLOGY PTE. LTD.	3	Processing revenue	9,915,759	—	4
1	Shanghai Innolux Optoelectronics Ltd.	CARUX TECHNOLOGY PTE. LTD.	3	Accounts receivable	1,266,921	—	—
2	Innolux Europe B.V.	CARUX TECHNOLOGY PTE. LTD.	3	Service revenue	841,485	—	—
2	Innolux Europe B.V.	CARUX TECHNOLOGY PTE. LTD.	3	Accounts receivable	140,133	—	—
3	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	3	Sales	6,824,316	—	3
3	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	3	Accounts receivable	557,713	—	—
4	Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	3	Sales	1,370,786	—	1
5	Innolux Japan Co., Ltd.	Innolux Corporation	3	Service revenue	290,198	—	—
6	CarUX Technology Inc.	CARUX TECHNOLOGY PTE. LTD.	3	Processing revenue	8,202,602	—	4
6	CarUX Technology Inc.	CARUX TECHNOLOGY PTE. LTD.	3	Accounts receivable	2,142,022	—	1
7	InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	3	Sales	227,435	—	—
7	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	3	Sales	676,264	—	—
7	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	3	Accounts receivable	240,817	—	—
7	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	3	Sales	394,403	—	—

Note A: The information of transactions between the Company and the consolidated subsidiaries should be noted in “Number” column.

(1) Number 0 represents the parent company.

(2) The subsidiaries are numbered in order from number 1.

Note B: 1 refers to the parent company to the subsidiary.

3 refers to the subsidiary to the subsidiary.

Note C: Except for no comparable transactions from related parties, sales prices were similar to non-related parties transactions and the collection period was mainly 30~120 days; the purchases from related parties were at market prices and payment term was 30~120 days upon receipt of goods.

Note D: Amount disclosure standard: purchases, sales and receivables from related parties in excess of \$100 million or 20% of capital.

Note E: For the information on transactions between the Company and the consolidated subsidiaries relating to nature of loan, please refer to Table 1.

Innolux Corporation
Information on investees
For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Innolux Corporation	Innolux Holding Limited	Samoa	Investment holdings	\$ 6,192,509	\$ 6,192,509	180,568,185	100	\$ 18,569,845	\$ 262,774	\$ 262,774	
Innolux Corporation	Keyway Investment Management Limited	Samoa	Investment holdings	62,197	62,197	1,656,410	100	108,042	7,553	7,553	
Innolux Corporation	Landmark International Ltd.	Samoa	Investment holdings	33,438,542	33,438,542	709,450,000	100	55,243,844	4,640,996	4,640,996	
Innolux Corporation	Toppoly Optoelectronics (B.V.I.) Ltd.	BVI	Investment holdings	3,674,115	3,674,115	146,847,000	100	6,631,666	347,997	347,997	
Innolux Corporation	Innolux Hong Kong Holding Limited	Hong Kong	Investment holdings	3,231,780	3,231,780	1,158,844,000	100	4,984,990	(1,158,721)	(1,157,113)	
Innolux Corporation	Innolux Singapore Holding Pte. Ltd.	Singapore	Investment holdings	754,943	754,943	25,400,000	100	156,225	(83,839)	(83,839)	
Innolux Corporation	Yuan Chi Investment Co., Ltd.	Taiwan	Investment company	1,217,235	1,217,235	—	100	849,226	(23,718)	(23,718)	
Innolux Corporation	InnoJoy Investment Corporation	Taiwan	Investment company	1,674,054	1,674,054	167,405,392	100	2,309,803	62,083	62,083	
Innolux Corporation	InnoCare Optoelectronics Corporation	Taiwan	Holdings, R&D, manufacturing and distribution company	205,000	205,000	20,500,000	57	468,187	198,717	115,656	
Innolux Corporation	Innolux Japan Co., Ltd.	Japan	Holdings, R&D and distribution company	1,682,751	1,682,751	98	54	2,103,679	232,217	126,419	
Innolux Corporation	iZ3D, Inc.	USA	Research and development and sale of 3D flat monitor	—	—	4,333	35	—	—	—	
Innolux Corporation	GIO Optoelectronics Corp.	Taiwan	Holdings, R&D, manufacturing and distribution company	451,168	451,168	41,288,528	76	409,914	(20,019)	(15,299)	
Innolux Corporation	INStek Corporation	Taiwan	R&D, manufacturing and distribution company	35,300	35,300	2,647,507	40	27,611	(5,095)	(2,038)	
Innolux Corporation	Ampower Holding Ltd.	Cayman	Investment holdings	1,717,714	1,717,714	14,062,500	50	904,206	4,232	2,116	
Innolux Corporation	FI Medical Device Manufacturing Co., Ltd.	Taiwan	Production and selling of the absorption for medical element	73,500	73,500	7,350,000	49	304,356	121,372	59,472	
Innolux Corporation	eLux Inc.	USA	R&D of MicroLED technology	91,155	91,155	300,000	28	20,362	73,791	13,023	
Innolux Corporation	PanelSemi Corporation	Taiwan	Manufacturing of electronic parts	250,000	250,000	25,000,000	45	162,329	(178,930)	(81,332)	
Innolux Holding Limited	Rockets Holding Limited	Samoa	Investment holdings	5,222,180	5,222,180	160,504,550	100	12,233,230	199,679	199,679	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Innolux Holding Limited	Suns Holding Ltd	Samoa	Investment holdings	\$ 555,422	\$ 555,422	18,177,052	100	\$ 6,102,541	\$ 63,095	\$ 63,095	
Toppoly Optoelectronics (B.V.I.) Ltd.	Toppoly Optoelectronics (Cayman) Ltd.	Cayman	Investment holdings	3,650,192	3,650,192	146,817,000	100	6,631,307	347,997	347,997	
Innolux Hong Kong Holding Limited	Innolux Hong Kong Limited	Hong Kong	Distribution company	—	—	35,000,000	100	1,712,120	(1,866)	(1,866)	
Innolux Hong Kong Holding Limited	Innolux Japan Co., Ltd.	Japan	Holdings, R&D and distribution company	1,815,603	1,815,603	82	46	1,760,537	232,217	105,798	
Innolux Hong Kong Holding Limited	CarUX Holding Limited	Cayman	Investment holdings	3,772,473	3,772,473	125,231,749	100	1,609,488	(1,263,066)	(1,263,066)	
CarUX Holding Limited	CARUX TECHNOLOGY PTE. LTD.	Singapore	Holdings and distribution company	3,769,371	3,769,371	125,131,749	100	1,608,067	(1,261,879)	(1,261,879)	
CARUX TECHNOLOGY PTE. LTD.	Innolux Optoelectronics Hong Kong Holding Limited	Hong Kong	Investment holdings	1,818,180	1,818,180	162,897,802	100	2,255,634	113,615	216,472	
CARUX TECHNOLOGY PTE. LTD.	Innolux Europe B.V.	Netherlands	Holding, distribution and R&D testing company	464,341	464,341	375,810	100	495,090	41,111	41,111	
CARUX TECHNOLOGY PTE. LTD.	CarUX Technology Inc.	Taiwan	R&D, manufacturing and distribution company	1,400,000	1,400,000	140,000,000	100	1,913,980	326,404	493,270	
Innolux Japan Co., Ltd.	Innolux USA Inc.	USA	Distribution company	369,092	369,092	12,842	100	1,131,446	130,450	130,450	
Rockets Holding Limited	Stanford Developments Limited	Samoa	Investment holdings	5,391,125	5,391,125	164,000,000	100	12,208,921	200,676	200,676	
Rockets Holding Limited	Nets Trading Ltd.	Samoa	Investment company	27,477	27,477	900,001	100	24,172	(997)	(997)	
Suns Holding Ltd	Warriors Technology Investments Ltd	Samoa	Investment company	555,422	555,422	18,177,052	100	6,102,539	63,095	63,095	
Innolux Europe B.V.	Innolux Technology Germany GmbH	Germany	Testing and maintenance company	33,735	33,735	100,000	100	25,290	4,225	4,225	
Innolux Singapore Holding Pte. Ltd.	INNOLUX OPTOELECTRONICS INDIA PRIVATE LIMITED	India	Distribution company	607,284	607,284	144,095,499	100	6,663	(79,905)	(79,905)	
Innolux Singapore Holding Pte. Ltd.	INNOLUX OPTOELECTRONICS PHILIPPINES CORP.	Philippines	Manufacturer and distribution company	—	28,733	—	—	—	(3)	(3)	
Yuan Chi Investment Co., Ltd.	INNOLUX OPTOELECTRONICS INDIA PRIVATE LIMITED	India	Distribution company	—	—	1	—	—	(79,905)	—	
Yuan Chi Investment Co., Ltd.	GIO Optoelectronics Corp.	Taiwan	Holdings, R&D, manufacturing and distribution company	858	858	77,235	—	779	(20,019)	(29)	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Yuan Chi Investment Co., Ltd.	InnVasLinx Inc.	Taiwan	E-Paper Module/Assembly	\$ 6,829	\$ —	599,799	45	\$ 6,492	\$ 602	\$ (338)	
InnoJoy Investment Corporation	Inno Capital Corporation	Taiwan	Investment company	15,000	15,000	1,500,000	100	16,635	448	448	
InnoJoy Investment Corporation	CDIB-Innolux Limited Partnership	Taiwan	Investment company	122,561	47,139	—	16	131,114	(16,525)	(2,723)	
Inno Capital Corporation	CDIB-Innolux Limited Partnership	Taiwan	Investment company	7,439	2,861	—	1	7,958	(16,525)	(165)	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Japan	Distribution company	87,149	87,149	30,010	100	99,823	25,604	25,604	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	USA	Distribution company	27,963	27,963	900,000	100	33,491	3,783	3,783	
InnoCare Optoelectronics Corporation	Innocare Optoelectronics Europe B.V.	Netherlands	After-sales service company	1,661	1,661	500	100	2,718	640	640	
GIO Optoelectronics Corp.	Double Star Inc.	Mauritius	Investment holdings	298,113	298,113	10,000,000	100	103,289	3,840	3,840	

Innolux Corporation
Information on investments in Mainland China
For the year ended December 31, 2022

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note A)	Investment method (Note C)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 (Note B)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Innocom Technology (Shenzhen) Co., Ltd.	Manufacturing and selling of LCD backend module and related components	\$ 5,036,440	2	\$ 3,897,459	\$ —	\$ —	\$ 3,897,459	\$ 200,676	100	\$ 200,676	\$ 12,208,869	\$ 1,138,981	2.1
Ningbo Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	9,520,100	2	226,181	—	—	226,181	3,088,258	100	3,088,258	25,619,829	5,301,619	2.2
Foshan Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	11,761,930	2	11,761,930	—	—	11,761,930	828,043	100	830,370	23,131,916	—	2.2
Ningbo Innolux Display Ltd.	Manufacturing and selling of LCD backend module and related components	4,913,600	2	4,913,600	—	—	4,913,600	722,365	100	722,365	6,490,934	—	2.2
Nanjing Innolux Technology Ltd.	Purchases and sales of monitor-related components company	64,491	2	64,491	—	—	64,491	6,570	100	6,570	646,798	—	2.3
Nanjing Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	4,790,760	2	4,423,333	—	—	4,423,333	341,427	100	341,427	5,984,488	—	2.3
Shanghai Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	644,910	2	—	—	—	—	113,615	100	113,615	2,247,340	—	2.4
Foshan Innolux Logistics Ltd.	Warehousing services	46,065	2	46,065	—	—	46,065	7,486	100	7,486	102,961	—	2.5
GIO (Maanshan) Optoelectronics Co., Ltd.	Manufacturing	307,100	2	307,100	—	—	307,100	3,852	77	2,949	79,104	—	2.6
Ningbo CarUX Technology Ltd.	Manufacturing and selling of LCD backend module and related components	1,234,632	3	—	—	—	—	4,767	100	5,518	1,043,757	—	
Ningbo Innolux Electronics Ltd.	Manufacturing and selling of medical equipment	67,772	1	97,412	—	—	97,412	4,415	57	2,529	62,999	—	

Ceiling on investments in Mainland China:

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Innolux Corporation	\$ 22,492,357	\$ 30,620,133	(Note D)

Note A: The relevant figures were listed in NT\$. Where foreign currencies were involved, the figures were converted to NT\$ using exchange rate.

Note B: Profit or loss recognized for the year ended December 31, 2022 was audited by independent auditors.

Note C: The investment methods are as follows:

1. Directly investing in Mainland China.
2. Through investing in companies in the third area, which then invested in the investee in Mainland China.
 - 2.1. Through investing in Stanford Developments Limited in the third area, which then invested in the investee in Mainland China.
 - 2.2. Through investing in Landmark International Ltd. in the third area, which then invested in the investee in Mainland China.
 - 2.3. Through investing in Toppoly Optoelectronics (Cayman) Ltd. in the third area, which then invested in the investee in Mainland China.
 - 2.4. Through investing in Innolux Optoelectronics Hong Kong Holding Limited in the third area, which then invested in the investee in Mainland China.
 - 2.5. Through investing in Keyway Investment Management Limited in the third area, which then invested in the investee in Mainland China.
 - 2.6. Through investing in Double Star Inc. in the third area, which then invested in the investee in Mainland China.
3. Others.

The company invested via the company investment entities in Mainland China to invest in Ningbo CarUX Technology Ltd. Except for the investment via the holding companies in Mainland China, other investments shall not be approved by Investment Commission of the Ministry of Economic Affairs.

Note D: In accordance with “Rules Governing Applications for Investment or Technical Cooperation in Mainland China”, the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau of the Ministry of Economic Affairs, the ceiling amount of the investment in Mainland China is not applicable to the Company.