

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH

REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2018 AND 2017

Address: No.11, Lixing Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)

Telephone: +886-3-577-2000

English Translation of a Report Originally Issued in Chinese

Review Report of Independent Accountants

To Coretronic Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Coretronic Corporation (the “Company”) and its subsidiaries as of September 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, changes in equity and cash flows for the nine-month periods ended September 30, 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$18,930,154 thousand and NT\$17,174,860 thousand, represented 37.87% and 34.00% of the consolidated total assets, and total liabilities of NT\$2,013,310 thousand and NT\$ 2,116,567 thousand, represented 7.60% and 7.61% of the consolidated total liabilities as of September 30, 2018 and 2017, respectively; and total comprehensive income of NT\$16,217 thousand, NT\$ 461,642 thousand, NT\$507,125 thousand and NT\$501,212 thousand, represented (314.16) %, 60.87%, 51.36% and 118.72% of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively. As explained in Note 6(10), the financial statements of certain associates and joint ventures accounted for using equity method were not reviewed by independent accountants. Those associates and joint ventures under equity method amounted to NT\$0 thousand and NT\$28,095 thousand as of September 30, 2018 and 2017, respectively. The related shares of loss from the associates and joint ventures under the equity method amounted to NT\$0 thousand, NT\$595 thousand, NT\$0 thousand and NT\$2,551 thousand for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively.

The information related to above subsidiaries, and associates and joint ventures accounted for using equity method disclosed in Note 13 was also not reviewed by independent accountants.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, associates and joint ventures accounted for using equity method and the information disclosed in Note 13 been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of September 30, 2018 and 2017, and their consolidated financial performance for the three-month and nine-month periods ended September 30, 2018 and 2017, and cash flows for the nine-month periods ended September 30, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Emphasis of Matter – Applying for New Accounting Standards

We draw attention to Note 3 of the consolidated financial statements, which describes the Company and its subsidiaries applied for the International Financial Reporting Standard 9, “Financial Instruments” and 15, “Revenue from Contracts with Customers” starting from January 1, 2018, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

Hsu, Hsin-Min

Chen, Chih-Chung

Ernst & Young, Taiwan
October 29, 2018

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the R.O.C. and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the R.O.C.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of September 30, 2018, December 31, 2017, and September 30, 2017

(September 30, 2018 and 2017 are unaudited)

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Note	September 30, 2018	%	December 31, 2017	%	September 30, 2017	%
Current assets							
Cash and cash equivalents	4, 6(1)	\$ 17,426,891	34.86	\$ 17,966,117	34.54	\$ 15,138,310	29.97
Financial assets at fair value through profit or loss-current	4, 6(2)	73,361	0.15	67,435	0.13	69,934	0.14
Hedging derivative financial assets-current	4, 6(3), 12	-	-	147,519	0.29	192,666	0.38
Hedging financial assets-current	4, 6(3), 12	4,396	0.01	-	-	-	-
Note receivables, net	4, 6(7), 6(21)	279,128	0.56	131,232	0.25	126,949	0.25
Trade receivables, net	4, 6(8), 6(21)	14,388,395	28.78	16,366,797	31.46	17,066,770	33.78
Trade receivables-related parties, net	4, 6(8), 6(21), 7	1,671	-	1,374	-	1,855	-
Other receivables	4, 8	593,573	1.19	625,469	1.20	530,826	1.05
Current tax assets	4, 6(26)	7,410	0.01	6,570	0.01	19,310	0.04
Inventories, net	4, 6(9)	8,455,912	16.92	7,903,924	15.20	8,344,664	16.52
Prepayments		576,483	1.15	581,456	1.12	502,012	0.99
Other current assets		155,123	0.32	146,811	0.28	169,518	0.34
Total current assets		41,962,343	83.95	43,944,704	84.48	42,162,814	83.46
Non-current assets							
Financial assets at fair value through profit or loss-noncurrent	4, 6(2)	21,540	0.04	-	-	-	-
Financial assets at fair value through other comprehensive income-noncurrent	4, 6(4)	450,329	0.90	-	-	-	-
Available-for-sale financial assets-noncurrent	4, 6(5)	-	-	-	-	50,067	0.10
Financial assets measured at cost-noncurrent	4, 6(6)	-	-	315,029	0.61	315,986	0.62
Investments accounted for using equity method (Unreviewed)	4, 6(10)	-	-	-	-	28,095	0.06
Property, plant and equipment, net	4, 6(11), 8	6,446,410	12.90	6,760,253	13.00	6,953,823	13.76
Investment property, net	4, 6(12), 8	178,472	0.36	184,511	0.34	186,524	0.37
Intangible assets	4, 6(13)	157,303	0.31	171,728	0.33	177,590	0.35
Deferred tax assets	4, 6(26)	302,860	0.61	237,983	0.46	261,266	0.52
Net defined benefit assets-noncurrent	4, 6(17)	29,989	0.06	10,117	0.02	-	-
Other noncurrent assets	8	437,265	0.87	394,684	0.76	382,039	0.76
Total non-current assets		8,024,168	16.05	8,074,305	15.52	8,355,390	16.54
Total assets		<u>\$ 49,986,511</u>	<u>100.00</u>	<u>\$ 52,019,009</u>	<u>100.00</u>	<u>\$ 50,518,204</u>	<u>100.00</u>

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of September 30, 2018, December 31, 2017, and September 30, 2017

(September 30, 2018 and 2017 are unaudited)

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Note	September 30, 2018	%	December 31, 2017	%	September 30, 2017	%
Current liabilities							
Short-term borrowings	6(14)	\$ 7,386,570	14.78	\$ 8,176,659	15.72	\$ 7,424,641	14.70
Financial liabilities at fair value through profit or loss-current	4, 6(15)	120,645	0.24	66,910	0.13	36,187	0.07
Hedging derivative financial liabilities-current	4, 6(15), 12	-	-	156,598	0.30	188,865	0.37
Hedging financial liabilities-current	4, 6(15), 12	1,694	-	-	-	-	-
Contract liabilities-current	6(20)	452,728	0.91	-	-	-	-
Notes payable		3,034	0.01	581	-	3,849	0.01
Accounts payable		10,932,541	21.87	12,850,802	24.70	12,966,685	25.67
Accounts payable-related parties	7	24,913	0.05	39,911	0.08	43,135	0.09
Other payables		4,230,500	8.46	3,928,009	7.56	3,724,651	7.37
Current tax liabilities	4, 6(26)	1,010,415	2.02	885,432	1.70	869,476	1.72
Provisions-current	4, 6(18)	858,845	1.72	967,768	1.86	947,946	1.88
Other current liabilities	4	683,134	1.37	625,746	1.20	722,207	1.43
Current portion of long-term borrowings	6(16)	166,247	0.33	49,024	0.09	9,884	0.02
Total current liabilities		25,871,266	51.76	27,747,440	53.34	26,937,526	53.33
Non-current liabilities							
Long-term borrowings	6(16)	334,558	0.67	459,251	0.88	500,988	0.99
Deferred tax liabilities	4, 6(26)	62,083	0.12	34,246	0.07	36,322	0.07
Net defined benefit liabilities-noncurrent	4, 6(17)	188,503	0.38	185,387	0.36	290,758	0.58
Other noncurrent liabilities		47,063	0.09	46,024	0.09	42,785	0.08
Total non-current liabilities		632,207	1.26	724,908	1.40	870,853	1.72
Total liabilities		26,503,473	53.02	28,472,348	54.74	27,808,379	55.05
Equity attributable to owners of the parent							
Share capital							
Common stock	6(19)	4,344,231	8.69	4,344,231	8.35	4,344,231	8.60
Capital surplus	6(19)	4,073,189	8.15	4,092,423	7.87	4,073,229	8.06
Retained earnings	6(19), 6(27)						
Legal reserve		3,572,543	7.15	3,397,480	6.53	3,397,480	6.73
Special reserve		2,483,647	4.97	1,962,450	3.77	1,962,450	3.88
Unappropriated retained earning		8,659,777	17.32	8,928,344	17.16	8,059,535	15.95
Total retained earnings		14,715,967	29.44	14,288,274	27.46	13,419,465	26.56
Other equity		(1,691,484)	(3.38)	(1,192,827)	(2.29)	(1,098,143)	(2.17)
Total equity attributable to owners of the parent		21,441,903	42.90	21,532,101	41.39	20,738,782	41.05
Non-controlling interests	4, 6(19)	2,041,135	4.08	2,014,560	3.87	1,971,043	3.90
Total equity		23,483,038	46.98	23,546,661	45.26	22,709,825	44.95
Total liabilities and equity		\$ 49,986,511	100.00	\$ 52,019,009	100.00	\$ 50,518,204	100.00

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
CORETRONIC CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the nine months ended September 30, 2018 and 2017
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Note	For three months ended September 30				For nine months ended September 30			
		2018	%	2017	%	2018	%	2017	%
Net sales	4, 6(20), 7	\$ 14,938,117	100.00	\$ 13,893,039	100.00	\$ 41,259,177	100.00	\$ 38,050,454	100.00
Operating costs	4, 6(9), 6(13), 6(22), 6(23), 7	11,956,120	80.04	11,605,088	83.53	33,757,583	81.82	31,754,071	83.45
Gross profit		2,981,997	19.96	2,287,951	16.47	7,501,594	18.18	6,296,383	16.55
Operating expenses	6(13), 6(17), 6(22), 6(23)								
Selling expenses		533,844	3.58	513,666	3.70	1,551,179	3.76	1,400,531	3.68
General and administrative expenses		662,246	4.43	635,130	4.57	1,866,588	4.52	1,779,280	4.68
Research and development expenses		926,697	6.20	761,001	5.48	2,522,687	6.11	2,197,195	5.77
Total operating expenses		2,122,787	14.21	1,909,797	13.75	5,940,454	14.39	5,377,006	14.13
Non-operating income and expenses									
Other income	6(24)	149,814	1.00	147,152	1.06	418,186	1.01	393,525	1.04
Other gains and losses	6(24)	44,777	0.30	56,967	0.41	191,616	0.46	75,860	0.20
Finance costs	6(24)	(60,772)	(0.40)	(43,956)	(0.32)	(175,209)	(0.42)	(124,138)	(0.33)
Share of loss of associates and joint ventures accounted for using equity method	6(10)	-	-	(595)	-	-	-	(2,551)	(0.01)
Total non-operating income and expenses		133,819	0.90	159,568	1.15	434,593	1.05	342,696	0.90
Income before income tax		993,029	6.65	537,722	3.87	1,995,733	4.84	1,262,073	3.32
Income tax expense	4, 6(26)	(255,591)	(1.71)	(129,603)	(0.93)	(573,517)	(1.39)	(372,323)	(0.98)
Net income		737,438	4.94	408,119	2.94	1,422,216	3.45	889,750	2.34
Other comprehensive income									
Items that will not be reclassified subsequently to profit or loss									
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income	6(25)	(2,642)	(0.02)	-	-	25,329	0.06	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss	6(25), 6(26)	(60)	-	-	-	1,885	-	-	-
Items that may be reclassified subsequently to profit or loss									
Exchange differences on translation of foreign operations	6(25)	(739,963)	(4.95)	281,582	2.03	(466,702)	(1.13)	(525,350)	(1.38)
Unrealized gain on available-for-sale financial assets	6(25)	-	-	27,867	0.20	-	-	53,241	0.14
Loss on effective portion of cash flow hedges	6(25)	-	-	46,264	0.33	-	-	5,516	0.01
Gain on hedging instruments	6(25)	142	-	-	-	8,696	0.02	-	-
Income tax related to items that may be reclassified subsequently to profit or loss	6(25), 6(26)	(77)	-	(5,380)	0.04	(4,113)	(0.01)	(978)	-
Other comprehensive income (loss), net of tax		(742,600)	(4.97)	350,333	2.52	(434,905)	(1.06)	(467,571)	(1.23)
Total comprehensive income (loss)		\$ (5,162)	(0.03)	\$ 758,452	5.46	\$ 987,311	2.39	\$ 422,179	1.11
Net income (loss) for the periods attributable to :									
Shareholders of the parent	6(27)	\$ 673,737		\$ 418,321		\$ 1,322,257		\$ 955,296	
Non-controlling interests	6(19), 6(29)	\$ 63,701		\$ (10,202)		\$ 99,959		\$ (65,546)	
Total comprehensive income (loss) for the periods attributable to :									
Shareholders of the parent		\$ (54,199)		\$ 755,034		\$ 885,445		\$ 528,783	
Non-controlling interests		\$ 49,037		\$ 3,418		\$ 101,866		\$ (106,604)	
Basic Earnings Per Share (in New Taiwan Dollars)	6(27)	\$ 1.55		\$ 0.96		\$ 3.04		\$ 2.20	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(27)	\$ 1.53		\$ 0.95		\$ 3.01		\$ 2.17	

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

CORETRONIC CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent											Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Other equity					Total		
			Legal reserve	Special reserve	Unappropriated retained earning	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income(loss)	Unrealized gains or losses from available-for-sale financial assets	Effective hedging instrument from cash flow hedge	Gains or losses from hedging instruments			
Balance as of January 1, 2017	\$ 4,344,231	\$ 4,627,479	\$ 3,201,027	\$ 1,290,820	\$ 8,841,168	\$ (639,887)	\$ -	\$ (35,113)	\$ 3,370	\$ -	\$ 21,633,095	\$ 2,121,580	\$ 23,754,675
Acquisition or disposal of the interest of subsidiaries	-	11,392	-	-	-	-	-	-	-	-	11,392	65,731	77,123
Changes in subsidiaries' ownership	-	85,993	-	-	-	-	-	-	-	-	85,993	(105,232)	(19,239)
Appropriation and distribution of 2016 earnings:													
Legal reserve	-	-	196,453	-	(196,453)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	671,630	(671,630)	-	-	-	-	-	-	-	-
Cash dividends distributed from capital surplus	-	(651,635)	-	-	-	-	-	-	-	-	(651,635)	-	(651,635)
Net income for the nine months ended September 30, 2017	-	-	-	-	955,296	-	-	-	-	-	955,296	(65,546)	889,750
Other comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	(484,292)	-	53,241	4,538	-	(426,513)	(41,058)	(467,571)
Total comprehensive income (loss)	-	-	-	-	955,296	(484,292)	-	53,241	4,538	-	528,783	(106,604)	422,179
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,432)	(4,432)
Balance as of September 30, 2017	\$ 4,344,231	\$ 4,073,229	\$ 3,397,480	\$ 1,962,450	\$ 8,059,535	\$ (1,124,179)	\$ -	\$ 18,128	\$ 7,908	\$ -	\$ 20,738,782	\$ 1,971,043	\$ 22,709,825
Balance as of January 1, 2018	\$ 4,344,231	\$ 4,092,423	\$ 3,397,480	\$ 1,962,450	\$ 8,928,344	\$ (1,188,212)	\$ -	\$ -	\$ (4,615)	\$ -	\$ 21,532,101	\$ 2,014,560	\$ 23,546,661
Effects of retrospective application and restatement	-	-	-	-	189,639	-	(59,990)	-	4,615	(4,615)	129,649	342	129,991
Restated balance as of January 1, 2018	4,344,231	4,092,423	3,397,480	1,962,450	9,117,983	(1,188,212)	(59,990)	-	-	(4,615)	21,661,750	2,014,902	23,676,652
Acquisition or disposal of the interest of subsidiaries	-	197,963	-	-	-	-	-	-	-	-	197,963	(25,195)	172,768
Changes in subsidiaries' ownership	-	14	-	-	-	-	-	-	-	-	14	-	14
Appropriation and distribution of 2017 earnings:													
Legal reserve	-	-	175,063	-	(175,063)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	521,197	(521,197)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,086,058)	-	-	-	-	-	(1,086,058)	-	(1,086,058)
Cash dividends distributed from capital surplus	-	(217,211)	-	-	-	-	-	-	-	-	(217,211)	-	(217,211)
Net income for the nine months ended September 30, 2018	-	-	-	-	1,322,257	-	-	-	-	-	1,322,257	99,959	1,422,216
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	1,855	(468,857)	25,607	-	-	4,583	(436,812)	1,907	(434,905)
Total comprehensive income (loss)	-	-	-	-	1,324,112	(468,857)	25,607	-	-	4,583	885,445	101,866	987,311
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(50,438)	(50,438)
Balance as of September 30, 2018	\$ 4,344,231	\$ 4,073,189	\$ 3,572,543	\$ 2,483,647	\$ 8,659,777	\$ (1,657,069)	\$ (34,383)	\$ -	\$ -	\$ (32)	\$ 21,441,903	\$ 2,041,135	\$ 23,483,038

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	For the nine months ended September 30		Description	For the nine months ended September 30	
	2018	2017		2018	2017
Cash flows from operating activities :			Cash flows from investing activities :		
Net income before tax	\$ 1,995,733	\$ 1,262,073	Acquisition of subsidiaries (net of cash acquires)	\$ -	\$ (18,271)
Adjustments for:			Proceeds from disposal of available -for-sale financial assets	-	66,368
The profit or loss items which did not affect cash flows:			Proceeds from disposal of financial assets measured at cost	-	11,251
Expected credit loss	38,101	41,782	Acquisition of property, plant and equipment	(611,637)	(383,341)
Depreciation (including investment property)	766,447	854,606	Proceeds from disposal of property, plant and equipment	21,945	39,973
Amortization (including other noncurrent assets)	80,330	50,324	Acquisition of intangible assets	(70,915)	(50,346)
Interest expenses	175,209	124,138	Proceeds from disposal of intangible assets	303	-
Interest income	(300,764)	(219,383)	Increase in other noncurrent assets	(40,974)	(3,837)
Dividend income	-	(2,261)	Net cash used in investing activities	(701,278)	(338,203)
Transfer of property, plant and equipment to expense	576	148			
Loss on disposal of property, plant and equipment	1,815	1,182	Cash flows from financing activities :		
Loss on disposal of intangible assets	4	-	(Decrease) increase in short-term borrowings	(790,089)	795,333
Gain from bargain purchase	-	(4,247)	(Decrease) increase in long-term borrowings	(7,437)	469,869
Gain on disposal of investments	-	(12,233)	Increase in guarantee deposits	115,841	-
Transfer of intangible assets to expense	-	1,350	Decrease in other noncurrent liabilities	(51)	(1,612)
Share of loss of associates and joint ventures accounted for using equity method	-	2,551	Cash dividends	(1,303,269)	(1,520,481)
Net loss on financial assets and liabilities at fair value through profit or loss	47,269	57,705	Payment on subsidiaries' acquisition of treasury stocks	-	(20,719)
Impairment of non-financial assets	40,104	-	Proceed from disposal of subsidiaries' ownership (without a change of control)	237,594	26,467
Changes in operating assets and liabilities:			Change in non-controlling interests	(113,662)	51,568
Notes receivables	(147,896)	(72,893)	Net cash used in financing activities	(1,861,073)	(199,575)
Accounts receivables	1,943,880	431,662			
Accounts receivables-related parties	(297)	(1,626)	Effect of exchange rate changes on cash and cash equivalents	(149,094)	245,028
Other receivables	44,741	(124,683)			
Inventories	(544,780)	(1,153,060)	Net decrease in cash and cash equivalents	(539,226)	(163,879)
Prepayments	4,973	(31,525)	Cash and cash equivalents at the beginning of the period	17,966,117	15,302,189
Other current assets	(8,312)	15,183	Cash and cash equivalents at the end of the period	\$ 17,426,891	\$ 15,138,310
Contract liabilities	64,306	-			
Notes payables	2,453	1,072			
Accounts payables	(1,918,261)	491,598			
Accounts payables-related parties	(14,998)	2,285			
Other payables	309,582	(442,079)			
Provision-current	116,216	98,490			
Other current liabilities	105,941	(134,217)			
Net defined benefit assets/liabilities	(16,756)	(6,996)			
Cash generated from operating activities	2,785,616	1,230,946			
Dividend received	-	2,261			
Interest received	287,919	203,731			
Interest paid	(173,567)	(122,196)			
Income tax paid	(486,711)	(531,936)			
Net cash provided by operating activities	2,413,257	782,806			

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

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2018 and 2017

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. HISTORY AND ORGANIZATION

Coretronic Corporation (“CORE”) was incorporated at Hsinchu Science-based Industrial Park on June 30, 1992 and set up branch offices at Hsinchu Industrial Park and Tainan Science-based Industrial Park on October 17, 1997 and November 16, 2004, respectively. CORE mainly engages in the R&D, production, manufacturing and marketing of projectors, backlight, and FPD-related products. CORE’s ordinary shares were publicly listed on the Taipei Exchange on January 20, 1999.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of CORE and its subsidiaries (“the Group”) were authorized for issue in accordance with the resolution of the Board of Directors’ meeting on October 29, 2018.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed at the date of initial application.

The Group’s principal activities consist of the sale of goods. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after January 1, 2018.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- B. Before January 1, 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from January 1, 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition from sale of goods. However, for some contracts, part of the consideration was received from customers upon signing the contract, and then the Group has the obligation to provide the goods subsequently. Before January 1, 2018, the Group recognized the consideration received in advance from customers under other current liabilities. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Group as at the date of initial application was NT\$388,422 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$452,728 thousand and the contract liabilities increased by NT\$452,728 thousand as of September 30, 2018. Liabilities in relation to expected volume discounts and refunds to customers are reclassified from current provisions to refund liabilities (represented other current liabilities) amounted to NT\$225,139 thousand as of January 1, 2018.
- C. Additional disclosure note was required by IFRS 15.

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

- A. The Group adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.
- B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as of January 1, 2018.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The classifications of financial assets and carrying amounts as of January 1, 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	\$67,435	Fair value through profit or loss	\$88,436
Fair value through other comprehensive income		Fair value through other comprehensive income	422,757
Available-for-sale financial assets (including measured at cost)	315,029		
At amortized cost		At amortized cost	
Loans and receivables:		(including cash and cash	
Cash and cash equivalents (excluding cash on hand), notes receivables, trade receivables and other receivables	35,085,814	equivalents (excluding cash on hand), notes receivables, trade receivables, and other receivables)	35,085,814
Hedging derivative financial assets	147,519	Hedging financial assets	147,519
Total	<u>\$35,615,797</u>	Total	<u>\$35,744,526</u>

C. The transition from IAS 39 to IFRS 9 as of January 1, 2018, the changes in the classifications of financial assets and financial liabilities are as follow:

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

IAS 39		IFRS 9			Retained earnings	Other components of equity
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Adjusted amounts	Adjusted amounts
Financial assets						
Financial assets at fair value through profit or loss						
Held for trading	\$67,435	Financial assets at fair value through profit or loss	\$67,435	\$-	\$-	\$-
Available-for-sale financial assets (including initial cost \$512,021 and show separately as investments measured at cost)(note 1)						
	315,029	Financial assets at fair value through profit or loss	21,001	315	252	63
		Measured at fair value through other comprehensive income (equity instrument)	422,757	128,414	196,992	(68,578)
		Subtotal	443,758	128,729	197,244	(68,515)
Loans and receivables (note 2)						
Cash and cash equivalents	17,960,942	Amortized cost (note 2)				
		Cash and cash equivalents	17,960,942	-	-	-
Note receivables and trade receivables, net	16,499,403	Note receivables and trade receivables, net	16,499,403	-	-	-
Other receivables	625,469	Other receivables	625,469	-	-	-
Subtotal	35,085,814	Subtotal	35,085,814			
Hedging derivative financial assets	147,519	Hedging financial assets	147,519	-	-	-
Total	\$35,615,797	Total	\$35,744,526	\$128,729	\$197,244	\$(68,515)
Financial liabilities						
Hedging derivative financial liabilities	\$156,598	Hedging financial liabilities	\$156,598	\$-	\$-	\$-

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Note:

1. In accordance with IAS 39, available-for-sale financial assets include investments in stocks of unlisted companies. Details are described as follow:

Stocks (including unlisted companies)

The assessment is based on the facts and circumstances that existed as of January 1, 2018, as these equity investments are not held-for-trading, so the Group elected to designate them as financial assets at fair value through profit or loss and measured at fair value through other comprehensive income. As of January 1, 2018, the Group reclassified available-for-sale financial assets (including measured at cost) to financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income of NT\$20,686 thousand and NT\$294,343 thousand, respectively. Other related adjustments are described as follow:

The stocks of unlisted companies previously measured at cost in accordance with IAS 39 had an original cost of NT\$512,021 thousand and was impaired and recognized an impairment loss of NT\$196,992 thousand. However, in accordance with IFRS 9, stocks of unlisted companies must be measured at fair value but are not required to be assessed for impairment. The fair value of the stocks of unlisted companies was NT\$443,758 thousand as of January 1, 2018. The Group adjusted the carrying amount of financial assets at fair value through profit and loss of NT\$21,001 thousand, financial assets measured at other comprehensive income of NT\$422,757 thousand and also adjusted the retained earnings, deferred tax assets, deferred tax liabilities, and unrealized losses on financial assets at fair value through other comprehensive income by NT\$197,244 thousand, NT\$1,993 thousand, NT\$63 thousand and NT\$66,585 thousand, respectively.

2. In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as of January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arisen from the assessment of impairment losses for the aforementioned assets as of January 1, 2018. Therefore, there is no impact on the carrying amount as of January 1, 2018.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

D. Related disclosures were required by IFRS 7 and IFRS 9.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Standards or Interpretations Numbers	New, Revised or Amended Standards and Interpretations	Effective for annual periods beginning on or after
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty Over Income Tax Treatments	January 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRS 9	Financial Instruments(Amendments)	January 1, 2019
Improvements to International Financial Reporting Standards (2015-2017cycle) :		January 1, 2019
IFRS 3	Business Combinations	
IFRS 11	Joint Arrangements	
IAS 12	Income Taxes	
IAS 23	Borrowing Costs	
IAS 19	Employee Benefits-Plan Amendment, Curtailment or Settlement	January 1, 2019

IFRS 16“Leases”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

IAS 12“Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. The Group is currently evaluating the potential impact of the aforementioned standards; it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (3) Standards or interpretations issued by IASB but not yet endorsed by FSC(the effective dates are to be determined by FSC) are listed below:

Standards or Interpretations Numbers	New, Revised or Amended Standards and Interpretations	Effective for annual periods beginning on or after
IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(Amendments)	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2021
IFRS 3	Business Combinations	January 1, 2020

Definition of a Business(Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed apart from the above items, it is not practicable to estimate their impact on the Group at this point in time.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the nine months ended September 30, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 "Interim Financial Reporting" as endorsed and became effective by FSC.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) General Description of Reporting Entity

Principles of consolidation

Control is achieved when CORE is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, CORE controls an investee if and only if CORE has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- B. exposure, or rights, to variable returns from its involvement with the investee; and
- C. the ability to use its power over the investee to affect its returns.

When CORE has less than a majority of the voting or similar rights of an investee, CORE considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee;
- B. rights arising from other contractual arrangements;
- C. CORE’s voting rights and potential voting rights.

CORE re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which CORE obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent group, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries 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.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

If loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are as follows:

Subsidiary	Relationship	Business nature	Percentage of Ownership		
			September 30, 2018	December 31, 2017	September 30, 2017
Tecpoint Limited ("Tecpoint") and its subsidiaries	Subsidiary	Tecpoint is a holding company and invests in Mainland China. Tecpoint's joint ventures are the production, manufacturing, marketing and R&D of acrylic plate, light guide plate and backlight module. The joint ventures also provide the after sales services.	100.00%	100.00%	100.00%
Visicorp Limited ("Visicorp") and its subsidiaries	Subsidiary	Visicorp is a holding company and invests in Mainland China. Visicorp's joint ventures are the R&D, production and marketing of backlight module and its components. The joint ventures also provide after sales services.	100.00%	100.00%	100.00%

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Subsidiary	Relationship	Business nature	Percentage of Ownership		
			September 30, 2018	December 31, 2017	September 30, 2017
Coretronic (BVI) Investment Corp. (“Coretronic BVI”) and its subsidiaries	Subsidiary	BVI is a holding company and invests in Mainland China. BVI’s joint ventures are the R&D, production, manufacturing and marketing of digital projector, LCD monitor and its components. The joint ventures also provide after sales services.	100.00%	100.00%	100.00%
Sinolink Global Limited (“Sinolink”) and its subsidiaries	Subsidiary	Sinolink is a holding company and invests in Mainland China. Sinolink’s joint ventures are the design, R&D, production and marketing of projectors. The joint ventures also provide the after sales services for self-produced and non-self-produced product.	100.00%	100.00%	100.00%
Young Green Energy Co. (“YGE”) and its subsidiaries	Subsidiary	YGE is engaged in the production, wholesale and retail trade of electronic components, battery, computer and its peripheral devices, and electronic material. YGE’s joint ventures are the R&D, production and marketing of transformers, inductors and power supply related products.	99.91%	99.91%	99.91%
Young Optics Inc. (“TYO”) and its subsidiaries	Subsidiary	TYO is engaged in the production, marketing and R&D of electronic components and optics. TYO’s joint ventures are the production and after sales services of electronic components, optical modules and components.	44.15%	45.88%	46.23%

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Subsidiary	Relationship	Business nature	Percentage of Ownership		
			September 30, 2018	December 31, 2017	September 30, 2017
Young Lighting Technology Inc. (“YLT”) and its subsidiaries	Subsidiary	YLT is engaged in the design, production and marketing of general lighting application, electronic components and optical devices. YLT’s joint ventures are the R&D, production, manufacturing and marketing of backlight module, touch module, LCD module, other optical components and lighting application. YLT’s joint ventures also provide after sales services.	100.00%	100.00%	100.00%
Optoma Corporation (“Optoma”) and its subsidiaries	Subsidiary	Optoma is engaged in the production and marketing of data storage and processing equipment, electronic components, optical devices, wireless communications equipment, electronic appliances. Optoma’s joint ventures are engaged in the marketing and after sales services of products of the brand Optoma in America, Canada, Europe, Hong Kong, and Mainland China.	100.00%	92.42%	92.42%
Chung Tsen Investment Corp. (“CGT”) and its subsidiaries	Subsidiary	CGT is an investment company for strategic purposes.	100.00%	100.00%	100.00%

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Subsidiary	Relationship	Business nature	Percentage of Ownership		
			September 30, 2018	December 31, 2017	September 30, 2017
Coretronic Intelligent Cloud Service Corporation (“CICS”) and its subsidiaries(Note a)	Subsidiary	CICS is engaged in intelligent cloud, IT information, intelligent applications and platform development related business of new media. CICS’s joint ventures are contractor in intelligent building engineering and provide services to customers from various domains.	100.00%	100.00%	100.00%
Coretronic Venture Capital Co. (“CVC”)	Subsidiary	The investment activities of company’s business expansion.	100.00%	100.00%	100.00%
uCare Medical Electronics Co., Ltd. (“UCM”)	Subsidiary	UCM is engaged in the R&D, design, production and marketing of intelligent movement and medical care related software and hardware products.	80.00%	80.00%	80.00%
Champ Vision Display Inc. (“CVD”)	Subsidiary	CVD is engaged in R&D, design, production and marketing of innovative intelligent display products and system integration solution.	80.00%	80.00%	80.00%
Calibre UK Ltd. (“CAL”)	Subsidiary	CAL is engaged in R&D, design, production and marketing of image processing products.	100.00%	100.00%	100.00%
InnoSpectra Corporation (“ISC”)	Subsidiary	ISC is engaged in R&D and marketing of near-infrared spectrum and corresponding solutions.	80.00%	80.00%	-

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Subsidiary	Relationship	Business nature	Percentage of Ownership		
			September 30, 2018	December 31, 2017	September 30, 2017
Coretronic Intelligent Robotics Corporation (“CIRC”)	Subsidiary	CIRC is engaged in R&D, production and marketing of unmanned aerial vehicle and intelligent robotics.	100.00%	100.00%	-

Note a: “Coretronic System Engineering Corporation” was renamed as “Coretronic Intelligent Cloud Service Corporation” which was approved by stockholder’s meeting in September 2017 and related registration processes have been completed in October 2017.

A. Refer to Note 13 for intercompany transactions between consolidated entities. Subsidiaries are fully consolidated in accordance with the Regulations.

B. The significant changes of consolidated entities described as follows:

(a) Optoma repurchased 2,072 thousand shares of treasury stock in May 2017. The ownership percentage of Optoma held by CORE increased to 92.42%.

CORE acquired 4,273 thousand outstanding shares and 2,072 thousand treasury shares of Optoma in September 2018. The ownership percentage of Optoma held by CORE increased to 100%.

(b) CORE made an investment to establish uCare Medical Electronics Co., Ltd. (“UCM”) and has completed registration of establishment in June 2017. UCM has been fully consolidated since the investment date.

(c) CORE made an investment to establish Champ Vision Display Inc. (“CVD”) and has completed registration of establishment in July 2017. CVD has been fully consolidated since the investment date.

(d) CORE acquired 100% shares of Calibre UK Ltd. on August 1, 2017, and it was included in the consolidated entities since the acquisition date.

(e) CORE acquired shares of YGE held by CGT and Tsen Ming Investment Corp. in July 2017. The ownership percentage of YGE held by CORE increased to 99.91%.

(f) Coretronic Projection (Kunshan) Co., Ltd (“CPC”) made an investment to establish 100% held subsidiary Coretronic Optics (Kunshan) Corporation (“COC”) in August 2017. Therefore, COC has been fully consolidated since the investment date.

(g) CORE made an investment to establish InnoSpectra Corporation (“ISC”) and has completed registration of establishment in December 2017. ISC has been fully consolidated since the investment date.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (h) CORE made an investment to establish Coretronic Intelligent Robotics Corporation (“CIRC”) and has completed registration of establishment in November 2017. CORE held 100% ownership of ISC; therefore, ISC has been fully consolidated since the investment date.
- (i) Wisdom Success Hong Kong Limited made an investment to establish 100% held subsidiary Coretronic Optics (Suzhou) Co.,Ltd (“WJB”) in December 2017. Therefore, WJB has been fully consolidated since the investment date.
- (j) YLT dissolution and merger with CORE were approved by the Board of Director in October 2018. The registration process of business merger does not complete as of September 30, 2018.

The financial statements of certain consolidated subsidiaries listed above had not been reviewed by independent accountants, including total assets amounted to NT\$18,930,154 thousand and NT\$17,174,860 thousand, total liabilities amounted to NT\$2,013,310 thousand and NT\$2,116,567 thousand as of September 30, 2018 and 2017. The related total comprehensive income amounted to NT\$16,217 thousand and NT\$461,642 thousand for the three months ended September 30, 2018 and 2017, and the related total comprehensive income amounted to NT\$507,125 thousand and NT\$501,212 thousand for the nine months ended September 30, 2018 and 2017, respectively.

(4) Foreign Currency Transactions

The Group’s consolidated financial statements are presented in NT\$, which is also the parent group’s functional currency. Each entity in the Group determines its functional currency upon its primary economic environment and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. Foreign currency items within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and Non-Current Distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. The Group expects to settle the liability in its normal operating cycle

B. The Group holds the liability primarily for the purpose of trading

C. The liability is due to be settled within twelve months after the reporting period

D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

All other liabilities are classified as non-current.

(7) Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including time deposits with original maturities of twelve months or less.

(8) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The accounting policy from January 1, 2018 as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

A. the Group's business model for managing the financial assets and

B. the contractual cash flow characteristics of the financial asset.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement are recognized in profit or loss which includes any dividend or interest received on such financial assets.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The accounting policy before January 1, 2018 as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. A financial asset is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The accounting policy from January 1, 2018 as follow:

The Group is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money; and
- C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before January 1, 2018 as follow:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- (a) significant financial difficulty of the issuer or obligor; or
- (b) a breach of contract, such as a default or delinquency in interest or principal payments; or

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (d) the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

B. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in short term.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency or
- (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When the Group and the creditors have a significant difference between the terms of the debt instruments to exchange, or make significant changes to all or part of the existing financial liabilities (no matter due to financial difficulties or not), deal with the way to exclude original liabilities and recognize new liabilities, when exclude the financial liabilities, the difference between book value and the total amount paid or payable (Including transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative Instrument and Hedging accounting

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

If a cash flow hedge meets the conditions in paragraph 88 of IAS 39 during the period, it shall be accounted for as follows:

- (a) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income; and
- (b) the ineffective portion of the gain or loss on the hedging instrument shall be recognized in profit or loss.

When a hedged forecast transaction occurs and results in the recognition of a financial asset or a financial liability, the gain or loss recognized in other comprehensive income does not adjust the initial carrying amount of the asset or liability, but remains in equity and is reclassified from equity to profit or loss consistently with the recognition of gains and losses on the asset or liability as a reclassification adjustment.

If the transaction is no longer expected to occur, the cumulative gain or loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment. The hedging instrument expires or is sold, terminated or exercised, and the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination. In this case, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Before January 1, 2018, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(10) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability; or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques which are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are stated at acquisition cost, and the cost is measured by standard cost method. The Group considers the normal level of materials, labors, efficiency and equipment capacity when making regular reviews and adjustments according to the current situation.

Inventories are valued at lower of cost and net realizable item. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(12) Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Name	Years
Buildings and facilities	2~50 years
Machinery and equipment	2~10 years
Transportation equipment	4~9 years
Furniture and fixtures	2~10 years
Leasing assets	2~5 years
Leasehold improvement	1~11 years
Miscellaneous equipment	3~15 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(13) Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Name	Years
Buildings	10~30 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

The leased assets are depreciated against the useful life of the asset, only if it can't be reasonable determine the group will acquire the ownership off this asset when the leasing period expires, depreciation by which shorter of estimated durability years or Lease period.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rent revenues from operation leases is according to straight-line method of lease period. Contingent rental recognize income during the earning of the rent.

(15) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in other operating income and expenses.

Developing intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- A. The technical feasibility of completing the intangible asset so that it will be available for use or sale
- B. Its intention to complete and its ability to use or sell the asset
- C. How the asset will generate future economic benefits
- D. The availability of resources to complete the asset
- E. The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Patent rights and trademark rights

The patent rights have been granted by the relevant enterprise for fifteen years; and the trademark rights have been granted the right to use between six and ten years.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 5 years).

(16) Impairment of Non-Financial Assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Maintenance warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

Sales returns and allowances

Starting from January 1, 2018, Sales returns and allowances are accounted in accordance with IFRS 15. Before January 1, 2018, a provision has been recognized for sales returns and allowances based on past experience and other known factors.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(18) Revenue Recognition

The accounting policy from January 1, 2018 as follow:

The Group's revenue arising from contracts with customers mainly include sale of goods and rendering of services. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

The Group manufactures and sells of merchandise. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. Revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. For a small part of the contracts, the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Group provides maintenance services of products and customized design services and the revenue is recognized once the contract is completed.

Most of the contractual considerations of the Group are received on average during the contract period after the provision of maintenance services. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently and it should be recognized as contract liabilities.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arisen.

The accounting policy before January 1, 2018 as follow:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- A. the significant risks and rewards of ownership of the goods have passed to the buyer;
- B. neither continuing managerial involvement nor effective control over the goods sold have been retained;
- C. the amount of revenue can be measured reliably;
- D. it is probable that the economic benefits associated with the transaction will flow to the entity; and
- E. the costs incurred in respect of the transaction can be measured reliably.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(19) Post-Employment Benefits

All regular employees of the Group and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Group and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the defined contribution plan, the Group and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Group recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. The date of the plan amendment or curtailment; and
- B. The date that the Group recognizes related restructuring or termination costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

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

(20) Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The average annual effective income tax rate is estimated by current income tax expenses only. Deferred income tax is recognized and measured according to IAS 12 "Income Tax" and follows the same accounting policies of the Group's annual consolidated financial statements. When income tax rate changes occur in interim period, the effect on deferred income tax is recognized in profit or loss, other comprehensive income or equity at once.

(21) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 Financial Instruments (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Where the disposition consists of the cash generating unit of goodwill, the book value of this part includes goodwill relating to the disposal of the business. The amount of goodwill is measured on the basis of the relative recoverable amount of the disposition and the retained portion.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The additional disclosures are set out below. For the rest of significant accounting judgments, estimates and assumptions have been followed in the consolidated financial statements as were applied in the preparation of CORE's consolidated financial statements for the year ended December 31, 2017. Please refer to the consolidated financial statements for the year ended December 31, 2017 for the summary of significant accounting judgments, estimates and assumptions.

Revenue recognition- sales returns and allowances

Starting from January 1, 2018:

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

Before January 1, 2018:

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand, savings and checking accounts	\$4,888,952	\$3,934,756	\$2,979,239
Time deposits	12,537,939	13,971,352	12,100,065
Cash Equivalents	-	60,009	59,006
Total	<u>\$17,426,891</u>	<u>\$17,966,117</u>	<u>\$15,138,310</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(2) Financial Assets at Fair Value through Profit or Loss

	September 30, 2018	December 31, 2017(Note)	September 30, 2017(Note)
Financial assets designated at fair value through profit or loss:			
Derivative not designated as hedging instruments			
Forward foreign exchange contracts	\$73,282		
Forward cross currency contracts	79		
Subtotal	73,361		
Stocks	21,540		
Total	\$94,901		

Current	73,361
Noncurrent	21,540
Total	\$94,901

	September 30, 2018(Note)	December 31, 2017	September 30, 2017
Held for trading			
Derivative not designated as hedging instruments			
Forward foreign exchange contracts		\$67,435	\$68,712
Forward cross currency contracts		-	1,222
Total		\$67,435	\$69,934

Current	\$67,435	\$69,934
Noncurrent	-	-
Total	\$67,435	\$69,934

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through profit and loss were not pledged. Please refer to Note 12 for more detail.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(3) Hedging (Derivative) Financial Assets

	September 30, 2018	December 31, 2017 (Note)	September 30, 2017 (Note)
Hedging financial assets			
Forward foreign exchange contracts	<u>\$4,396</u>		
Current	\$4,396		
Noncurrent	-		
Total	<u>\$4,396</u>		
	September 30, 2018 (Note)	December 31, 2017	September 30, 2017
Hedging derivative financial assets			
Forward foreign exchange contracts		<u>\$147,519</u>	<u>\$192,666</u>
Current		\$147,519	\$192,666
Noncurrent		-	-
Total		<u>\$147,519</u>	<u>\$192,666</u>

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Hedging financial assets were not pledged. Please refer to Note 12 for more detail.

(4) Financial Assets at Fair Value through Other Comprehensive Income

	September 30, 2018	December 31, 2017 (Note)	September 30, 2017 (Note)
Equity instruments investments measured at fair value through other comprehensive income- noncurrent			
Unlisted companies stocks	<u>\$450,329</u>		

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through other comprehensive income were not pledged.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(5) Available-For-Sale Financial Assets, Non-Current

	September 30, 2018(Note)	December 31, 2017	September 30, 2017
Stocks—Celxpert Energy Corporation		\$-	\$50,067

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Available-for-sale financial assets were not pledged.

(6) Financial Assets Measured at Cost, Non-Current

	September 30, 2018(Note)	December 31, 2017	September 30, 2017
Available-for-sale financial assets			
SHIEH YONG INVESTMENT CO., LTD.		\$210,787	\$210,787
Unitech Capital, Inc.		56,946	57,903
Excel Global Limited (“Excel”)		26,389	26,389
Nightingale Intelligent System, Inc.		17,966	17,966
GLO AB		2,720	2,720
Maxiam Ventures I Inc.		221	221
Total		\$315,029	\$315,986

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Venture Orient sold financial assets measured at cost with carrying amount of NT\$7,687 thousand and recognized disposal gain of NT\$1,692 thousand in 2017.

The Group adopted IAS 39 before January 1, 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

Financial assets measured at cost were not pledged.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(7) Notes Receivables

	September 30, 2018	December 31, 2017	September 30, 2017
Notes Receivable - arose from			
Operating activities	\$279,128	\$131,232	\$126,949

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 for more details on accumulated impairment and refer to Note 12 for more details on credit risk disclosure.

(8) Trade Receivables and Trade Receivables-Related Parties

	September 30, 2018	December 31, 2017	September 30, 2017
Trade receivable	\$14,546,105	\$16,496,404	\$17,153,244
Less: allowance for doubtful accounts	(157,710)	(129,607)	(86,474)
Subtotal	14,388,395	16,366,797	17,066,770
Trade receivables for related parties	1,671	1,374	1,855
Total	\$14,390,066	\$16,368,171	\$17,068,625

Trade receivables were not pledged.

Trade receivables are generally on 30-150 day terms. The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6(21) for more details on impairment of trade receivables. The Group adopted IAS 39 for impairment assessment before January 1, 2018. Movements in the provision for impairment of trade receivables and trade receivables-related parties are as follows (Please refer to Note 12 for more details on credit risk management.):

	<u>Collectively impaired</u>
At January 1, 2017	\$44,377
Charge for the current period	41,782
Write-off for uncollectable accounts	-
Exchange differences	315
At September 30, 2017	\$86,474

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

There is no impairment loss as a result of individual valuation of trade receivables for the nine months ended September 30, 2017.

Aging analysis of trade receivables and trade receivables-related parties that are past due at the end of the reporting period but not impaired is as follows:

At	Neither past due nor impaired	Past due but not impaired					Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	
December 31, 2017	\$14,796,037	\$1,456,816	\$66,629	\$25,903	\$14,987	\$7,799	\$16,368,171
September 30, 2017	\$15,983,046	\$997,261	\$29,278	\$21,736	\$28,299	\$9,005	\$17,068,625

The Group entered into factoring contracts without recourse with a number of domestic banks. To wit, banks pay to the Group 100% of the accounts receivable factored as consideration. According to the arrangement, if the client of the trade receivables factoring delays the payment, the Group shall pay interests to the bank. Upon assignment of the factoring to the bank, the bank undertakes the associated credit risk. However, the Group still issues a promissory note to the bank. If the trade receivables cannot be collected as a result of trade disputes due to factors attributable to the Group, the Group should pay the promissory note in compensation for the bank. As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group has no outstanding discounted trade receivables which were deducted from trade receivables. The credit line of factoring contracts provided by CTBC Bank and Taishin Bank are both US\$80,000 thousand.

(9) Inventories

	September 30, 2018	December 31, 2017	September 30, 2017
Raw materials and supplies	\$5,101,432	\$4,579,258	\$4,722,634
Work in process	742,741	191,537	759,174
Finished goods	2,611,739	3,133,129	2,862,856
Total	<u>\$8,455,912</u>	<u>\$7,903,924</u>	<u>\$8,344,664</u>

The cost of inventories recognized in expenses amounted to NT\$11,956,120 thousand and NT\$11,605,088 thousand for the three months ended September 30, 2018 and 2017, including the write-down of inventories and obsolescence loss of NT\$64,962 thousand and NT\$32,077 thousand, respectively.

The cost of inventories recognized in expenses amounted to NT\$33,757,583 thousand and NT\$31,754,071 thousand for the nine months ended September 30, 2018 and 2017, including the write-down of inventories and obsolescence loss of NT\$159,063 thousand and NT\$151,669 thousand, respectively.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The allowance write-down of inventories amounts to NT\$554,213 thousand, NT\$495,326 thousand and NT\$502,163 thousand as of September 30, 2018, December 31, 2017, and September 30, 2017, respectively.

No inventories were pledged.

(10) Investments Accounted for Using Equity Method

The following table lists the investments accounted for using equity method of the Group:

Investees	September 30, 2018	
	Carrying Amount	Percentage of ownership (%)
Investments in associates:		
Genejet Biotech Co., Ltd. ("Genejet")	\$-	19.51%

Investees	December 31, 2017	
	Carrying Amount	Percentage of ownership (%)
Investments in associates:		
Genejet Biotech Co., Ltd. ("Genejet")	\$-	19.51%

Investees	September 30, 2017	
	Carrying Amount	Percentage of ownership (%)
Investments in associates:		
Genejet Biotech Co., Ltd. ("Genejet")	\$28,095	19.51%

The Group recognized share of loss of these associates and joint ventures in the amount of NT\$595 thousand and NT\$2,551 thousand for the three months and nine months ended September 30, 2017, the Group recognized share of loss of these associates had not been reviewed by independent accountants.

For continued worsening in operating condition, CVC assessed investment in Genejet was impaired and recognized an impairment loss of NT\$27,704 thousand in 2017.

The associates had no contingent liabilities or capital commitments as of September 30, 2018, December 31, 2017, and September 30, 2017. No investments accounted for using equity method held by the Group was pledged to others.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(11) Property, Plant and Equipment

	Land	Buildings	Machinery and equipment	Office fixtures	Transportation equipment	Lease assets	Leasehold improvement	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:										
As of January 1, 2018	\$39,357	\$6,884,919	\$5,345,544	\$473,982	\$53,885	\$2,250	\$846,746	\$1,833,359	\$44,795	\$15,524,837
Additions	-	40,919	224,555	26,140	1,650	-	77,902	78,071	137,728	586,965
Disposals	-	(1,849)	(121,707)	(27,657)	(11,808)	-	(19,094)	(95,392)	-	(277,507)
Transfers	-	10,770	27,496	(169)	88	-	2,000	5,769	(47,294)	(1,340)
Exchange differences	(34)	(78,900)	(99,104)	(8,135)	(972)	58	(18,983)	(36,074)	190	(241,954)
As of September 30, 2018	<u>\$39,323</u>	<u>\$6,855,859</u>	<u>\$5,376,784</u>	<u>\$464,161</u>	<u>\$42,843</u>	<u>\$2,308</u>	<u>\$888,571</u>	<u>\$1,785,733</u>	<u>\$135,419</u>	<u>\$15,591,001</u>
As of January 1, 2017	\$23,900	\$6,719,517	\$5,242,432	\$550,256	\$78,804	\$2,008	\$854,894	\$2,343,758	\$198,135	\$16,013,704
Additions	1,766	34,892	55,176	26,206	1,725	403	43,747	79,403	140,023	383,341
Acquisitions through business combinations	13,339	-	790	1,011	25	-	51	1,578	-	16,794
Disposals	-	(53,404)	(363,403)	(61,456)	(23,166)	-	(50,496)	(206,673)	(135)	(758,733)
Transfers	-	248,192	523,288	(14,938)	1,716	-	2,202	(338,875)	(254,522)	167,063
Exchange differences	539	(61,906)	(94,111)	(9,046)	(2,003)	(124)	(16,074)	(48,358)	(3,672)	(234,755)
As of September 30, 2017	<u>\$39,544</u>	<u>\$6,887,291</u>	<u>\$5,364,172</u>	<u>\$492,033</u>	<u>\$57,101</u>	<u>\$2,287</u>	<u>\$834,324</u>	<u>\$1,830,833</u>	<u>\$79,829</u>	<u>\$15,587,414</u>
Depreciation and Impairment:										
As of January 1, 2018	\$-	\$2,837,306	\$3,244,250	\$380,631	\$41,066	\$1,925	\$717,313	\$1,542,093	\$-	\$8,764,584
Depreciation	-	223,696	375,754	26,873	3,617	60	37,849	92,559	-	760,408
Disposals	-	(1,849)	(106,263)	(27,285)	(9,200)	-	(18,679)	(90,471)	-	(253,747)
Transfers	-	-	(701)	33	-	-	-	(96)	-	(764)
Impairment losses	-	-	40,104	-	-	-	-	-	-	40,104
Exchange differences	-	(42,586)	(71,403)	(6,357)	(824)	52	(13,384)	(31,492)	-	(165,994)
As of September 30, 2018	<u>\$-</u>	<u>\$3,016,567</u>	<u>\$3,481,741</u>	<u>\$373,895</u>	<u>\$34,659</u>	<u>\$2,037</u>	<u>\$723,099</u>	<u>\$1,512,593</u>	<u>\$-</u>	<u>\$9,144,591</u>
As of January 1, 2017	\$-	\$2,390,319	\$3,115,855	\$435,856	\$61,357	\$2,008	\$705,262	\$1,759,275	\$-	\$8,469,932
Depreciation	-	247,023	376,701	28,777	5,721	54	61,271	129,019	-	848,566
Disposals	-	(53,372)	(328,692)	(58,976)	(22,268)	-	(48,172)	(206,098)	-	(717,578)
Transfers	-	193,866	80,258	-	-	-	-	(106,913)	-	167,211
Exchange differences	-	(18,639)	(54,681)	(8,128)	(1,687)	(124)	(17,016)	(34,265)	-	(134,540)
As of September 30, 2017	<u>\$-</u>	<u>\$2,759,197</u>	<u>\$3,189,441</u>	<u>\$397,529</u>	<u>\$43,123</u>	<u>\$1,938</u>	<u>\$701,345</u>	<u>\$1,541,018</u>	<u>\$-</u>	<u>\$8,633,591</u>
Net carrying amounts as of:										
September 30, 2018	<u>\$39,323</u>	<u>\$3,839,292</u>	<u>\$1,895,043</u>	<u>\$90,266</u>	<u>\$8,184</u>	<u>\$271</u>	<u>\$165,472</u>	<u>\$273,140</u>	<u>\$135,419</u>	<u>\$6,446,410</u>
December 31, 2017	<u>\$39,357</u>	<u>\$4,047,613</u>	<u>\$2,101,294</u>	<u>\$93,351</u>	<u>\$12,819</u>	<u>\$325</u>	<u>\$129,433</u>	<u>\$291,266</u>	<u>\$44,795</u>	<u>\$6,760,253</u>
September 30, 2017	<u>\$39,544</u>	<u>\$4,128,094</u>	<u>\$2,174,731</u>	<u>\$94,504</u>	<u>\$13,978</u>	<u>\$349</u>	<u>\$132,979</u>	<u>\$289,815</u>	<u>\$79,829</u>	<u>\$6,953,823</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Group evaluated the economic benefits for property, plant and equipment and recognized impairment loss for the nine months ended September 30, 2018 and 2017 was NT\$40,104 thousand and NT\$0 thousand, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(12) Investment Property

	<u>Buildings</u>
Cost:	
As of January 1, 2018	\$244,538
Additions from acquisitions	-
Additions from subsequent expenditure	-
Disposals	-
As of September 30, 2018	<u>\$244,538</u>
As of January 1, 2017	\$244,538
Additions from acquisitions	-
Additions from subsequent expenditure	-
Disposals	-
As of September 30, 2017	<u>\$244,538</u>
Depreciation and Impairment:	
As of January 1, 2018	\$60,027
Depreciation	6,039
As of September 30, 2018	<u>\$66,066</u>
As of January 1, 2017	\$51,974
Depreciation	6,040
As of September 30, 2017	<u>\$58,014</u>
Net carry amount As of:	
September 30, 2018	<u>\$178,472</u>
December 31, 2017	<u>\$184,511</u>
September 30, 2017	<u>\$186,524</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Rental income from investment property	\$3,358	\$517	\$5,810	1,552
Less: Direct operating expenses from investment property generating rental income	(2,013)	(2,014)	(6,039)	(6,040)
Total	\$1,345	\$(1,497)	\$(229)	\$(4,488)

Information about the investment property that was pledged to others as collaterals is provided in Note 8.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized with Level 3. The fair value has been determined based on valuations performed by an independent appraiser. The valuation method used is discount cash-flow analysis method, and the inputs used are discount rates and growth rates:

	September 30, 2018	December 31, 2017	September 30, 2017
Fair value of the investment property	\$217,000	\$217,000	\$226,300
Discount rates	4.095%	4.095%	4.095%
Growth rates	0.4%	0.4%	0.5%

(13) Intangible Assets

	Trade marks	Patents	Software	IPs	Goodwill	other	Total
Cost:							
As of January 1, 2018	\$103,805	\$16,023	\$137,169	\$57,882	\$5,940	\$86,109	\$406,928
Additions	-	-	17,687	-	-	53,228	70,915
Disposals	-	-	(27,926)	(3,360)	-	(2,899)	(34,185)
Transfers	-	-	(8,733)	-	-	-	(8,733)
Exchange differences	77	9	(118)	-	-	(529)	(561)
As of September 30, 2018	\$103,882	\$16,032	\$118,079	\$54,522	\$5,940	\$135,909	\$434,364
As of January 1, 2017	\$104,054	\$16,045	\$129,449	\$59,786	\$5,940	\$49,681	\$364,955
Additions	-	-	31,511	-	-	18,835	50,346
Acquisitions through business combinations	-	-	-	-	-	52,396	52,396
Disposals	-	-	(21,261)	-	-	-	(21,261)
Transfers	-	-	-	-	-	(1,350)	(1,350)
Exchange differences	(199)	(13)	(267)	-	-	1,635	1,156
As of September 30, 2017	\$103,855	\$16,032	\$139,432	\$59,786	\$5,940	\$121,197	\$446,242

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Trade marks	Patents	Software	IPs	Goodwill	other	Total
Amortization and Impairment:							
As of January 1, 2018	\$88,714	\$7,902	\$95,877	\$27,230	\$-	\$15,477	\$235,200
Amortization	2,818	867	18,976	13,586	-	39,792	76,039
Disposals	-	-	(27,619)	(3,360)	-	(2,899)	(33,878)
Exchange differences	20	-	(111)	-	-	(209)	(300)
As of September 30, 2018	<u>\$91,552</u>	<u>\$8,769</u>	<u>\$87,123</u>	<u>\$37,456</u>	<u>\$-</u>	<u>\$52,161</u>	<u>\$277,061</u>
As of January 1, 2017	\$84,994	\$6,750	\$99,881	\$8,242	\$-	\$44,314	\$244,181
Amortization	2,822	867	18,690	14,300	-	9,455	46,134
Disposals	-	-	(21,261)	-	-	-	(21,261)
Exchange differences	(31)	(2)	(208)	-	-	(161)	(402)
As of September 30, 2017	<u>\$87,785</u>	<u>\$7,615</u>	<u>\$97,102</u>	<u>\$22,542</u>	<u>\$-</u>	<u>\$53,608</u>	<u>\$268,652</u>
Net carrying amount as of:							
September 30, 2018	<u>\$12,330</u>	<u>\$7,263</u>	<u>\$30,956</u>	<u>\$17,066</u>	<u>\$5,940</u>	<u>\$83,748</u>	<u>\$157,303</u>
December 31, 2017	<u>\$15,091</u>	<u>\$8,121</u>	<u>\$41,292</u>	<u>\$30,652</u>	<u>\$5,940</u>	<u>\$70,632</u>	<u>\$171,728</u>
September 30, 2017	<u>\$16,070</u>	<u>\$8,417</u>	<u>\$42,330</u>	<u>\$37,244</u>	<u>\$5,940</u>	<u>\$67,589</u>	<u>\$177,590</u>

Amortization expense of intangible assets:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Operating Cost	\$12,648	\$2,300	\$27,167	\$4,696
Selling expenses	1,926	1,726	4,914	5,121
General and administrative expense	5,286	6,338	16,949	17,013
Research and development expenses	8,314	10,362	27,009	19,304
Total	<u>\$28,174</u>	<u>\$20,726</u>	<u>\$76,039</u>	<u>\$46,134</u>

(14) Short-Term Borrowings

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured bank loans	<u>\$7,386,570</u>	<u>\$8,176,659</u>	<u>\$7,424,641</u>
Interest rates (%)	<u>0.92%~2.99%</u>	<u>0.69%~2.92%</u>	<u>0.60%~4.25%</u>

The Group's unused short-term lines of credits amounted to NT\$26,379,356 thousand, NT\$36,364,752 thousand, and NT\$37,791,890 thousand as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(15) Financial Liabilities at Fair Value through Profit or Loss

	September 30, 2018	December 31, 2017	September 30, 2017
Derivatives not designated as hedging Instruments - Current			
Forward exchange contracts	\$116,663	\$62,762	\$35,094
Forward cross currency contracts	3,982	4,148	1,093
Total	<u>\$120,645</u>	<u>\$66,910</u>	<u>\$36,187</u>
Hedging financial liabilities			
	September 30, 2018	December 31, 2017(Note)	September 30, 2017(Note)
Forward exchange contracts	<u>\$1,694</u>		
Hedging derivative financial liabilities			
	September 30, 2018(Note)	December 31, 2017	September 30, 2017
Forward exchange contracts		<u>\$156,598</u>	<u>\$188,865</u>

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(16) Long-Term Borrowings

Details of long-term borrowings are as follow:

Lenders	September 30, 2018	Interest Rate (%)	Maturity date and terms of repayment
Secured long-term borrowings from First bank	\$22,500	1.48%	Effective from October 27, 2017. Principle is repaid 16 quarterly.
Secured long-term borrowings from First bank	470,000	1.38%	Effective from October 27, 2018. Principle is repaid 12 quarterly.
Secured long-term borrowings from NatWest Bank	7,097	2.45%	Effective from May 2016. Principle is repaid 108 monthly.
Secured long-term borrowings from Lombard Co.	792	4.11%	Effective from July 8, 2015. Principle is repaid 48 monthly.
Secured long-term borrowings from Lombard Co.	416	3.81%	Effective from January 5, 2017. Principle is repaid 36 monthly.
Less: current portion	(166,247)		
Total	<u>\$334,558</u>		

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Lenders	December 31, 2017	Interest Rate (%)	Maturity date and terms of repayment
Secured long-term borrowings from First bank	\$28,125	1.38%	Effective from October 27, 2017. Principle is repaid 16 quarterly.
Secured long-term borrowings from First bank	470,000	1.38%	Effective from October 27, 2018. Principle is repaid 12 quarterly.
Secured long-term borrowings from NatWest Bank	7,889	2.45%	Effective from May 2016. Principle is repaid 108 monthly.
Secured long-term borrowings from Lombard Co.	1,593	4.11%	Effective from July 8, 2015. Principle is repaid 48 monthly.
Secured long-term borrowings from Lombard Co.	668	3.81%	Effective from January 5, 2017. Principle is repaid 36 monthly.
Less: current portion	(49,024)		
Total	<u>\$459,251</u>		

Lenders	September 30, 2017	Interest Rate (%)	Maturity date and terms of repayment
Secured long-term borrowings from First bank	\$30,000	1.38%	Effective from October 27, 2017. Principle is repaid 16 quarterly.
Secured long-term borrowings from First bank	470,000	1.38%	Effective from October 27, 2017. Principle is repaid 12 quarterly.
Secured long-term borrowings from Nat West Bank	8,232	2.45%	Effective from May 2016. Principle is repaid 108 monthly.
Secured long-term borrowings from Lombard Co.	1,880	4.11%	Effective from July 8, 2015. Principle is repaid 48 monthly.
Secured long-term borrowings from Lombard Co.	760	3.81%	Effective from January 5, 2017. Principle is repaid 36 monthly.
Less: current portion	(9,884)		
Total	<u>\$500,988</u>		

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Group's unused long-term lines of credits amounted to NT\$302,479 thousand, NT\$461,738 thousand, and NT\$1,969,976 thousand as of September 30, 2018, December 31, 2017, and September 30, 2017, respectively.

(17) Post-Employment Benefits

Defined contribution plan

Pension expenses under the defined contribution plan for the three months ended September 30, 2018 and 2017 were NT\$102,395 thousand and NT\$123,262 thousand, respectively. Pension expenses under the defined contribution plan for the nine months ended September 30, 2018 and 2017 were NT\$294,537 thousand and NT\$330,994 thousand, respectively.

Defined benefits plan

Pension expenses under the defined benefits plan for the three months ended September 30, 2018 and 2017 were NT\$863 thousand and NT\$1,373 thousand, respectively. Pension expenses under the defined benefits plan for the nine months ended September 30, 2018 and 2017 were NT\$3,395 thousand and NT\$4,121 thousand, respectively.

(18) Provisions

	Maintenance warranties		
As of January 1, 2018	\$742,629		
Arising during the period	264,910		
Utilized during the period	(140,061)		
Unused provision reversed	(2,160)		
Exchange differences	(6,473)		
As of September 30, 2018	<u>\$858,845</u>		
As of September 30, 2018:			
Current	\$858,845		
Non-Current	<u>-</u>		
	<u>\$858,845</u>		
	Maintenance	Sales returns and	
	warranties	allowances	Total
As of December 31, 2017:			
Current	\$742,629	\$225,139	\$967,768
Non-Current	-	-	-
	<u>\$742,629</u>	<u>\$225,139</u>	<u>\$967,768</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Maintenance warranties	Sales returns and allowances	Total
As of September 30, 2017:			
Current	\$747,546	\$200,400	\$947,946
Non-Current	-	-	-
	\$747,546	\$200,400	\$947,946

Maintenance warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

Sales returns and allowances

Starting from January 1, 2018, liabilities in relation to expected sales returns and allowance are recognized as contract liabilities which shown as other current liabilities in accordance with IFRS 15 and please refer to Note 4 for more details. Before January 1, 2018, a provision has been recognized for sales returns and allowances based on past experience and other known factors. The provision is recognized and the corresponding entry is made against operating revenue at the time of sales.

(19) Equities

A. Common stock

CORE's authorized capital was NT\$10,000,000 thousand as of September 30, 2018, December 31, 2017, and September 30, 2017, respectively (including NT\$700,000 thousand reserved for exercise of share warrant, preferred shares with warrants and corporate bonds with warrants), each at a par value of NT\$10. CORE's issued capital was NT\$4,344,231 thousand divided into 434,423 thousand shares. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	September 30, 2018	December 31, 2017	September 30, 2017
Additional paid-in capital	\$3,569,001	\$3,786,212	\$3,786,212
Treasury Stock transactions	116,614	114,569	114,569
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	298,329	102,411	83,217
Changes in ownership interests in subsidiaries	89,245	89,231	89,231
Total	\$4,073,189	\$4,092,423	\$4,073,229

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

According to the Company Act, the capital reserve shall not be used except for covering losses of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies:

CORE's shareholders' meeting held on June 15, 2016 passed the resolution of amendments of the Articles of Incorporation. According to the revised Articles of Incorporation, current year's earnings shall be distributed in the following order:

- (a) Payment of all taxes and dues;
- (b) Offset accumulated losses in previous years, if any;
- (c) Legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds CORE's total capital stock;
- (d) Allocation or reverse of special reserve as required by law or government authorities;
- (e) The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

According to the Company Act and CORE's Article of Incorporation, the policy of the dividend distribution should reflect factors such as the capital and financial structures, operating, earnings, the industrial features and cycles and etc. The dividend could be paid in the form of shares or cash. In the consideration of the factors such as financial, sales and operating conditions, if the distribution of cash dividends is determined, the cash dividends should account for at least 10% of the total distribution based on the CORE's Article of Incorporation. If CORE incurs no earning or considers the factors such as financial conditions, sales and operations, the dividend could be paid by whole or partial legal reserve in accordance with the Company Act and CORE's Article of Incorporation.

According to Company Act, CORE needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of CORE. If CORE incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

Once upon a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Details of the 2017 and 2016 earnings distribution and dividends per share as resolved by shareholders' meeting on June 14, 2018 and 2017 are as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2017	2016	2017	2016
Legal reserve	\$175,063	\$196,453		
Special reserve	521,197	671,630		
Common stock -cash dividend	1,086,058	868,846	\$2.5	\$2

In addition, shareholders' meeting resolved to distribute the paid-in capital in excess of par-common stock by cash in the amount of NT\$217,211 thousand, NT\$0.5 per share and NT\$651,635 thousand, NT\$1.5 per share as of 2018 and 2017, respectively.

Please refer to Note 6(23) for further details on employees' compensation and remuneration to directors and supervisors.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

D. Non-controlling interests:

	Nine months ended September 30	
	2018	2017
Beginning balance	\$2,014,560	\$2,121,580
Profit (loss) attributable to non-controlling interests	99,959	(65,546)
Other comprehensive income (loss) attributable to non-controlling interests, net of tax:		
Exchange differences on translation of foreign operations	2,154	(41,058)
Effect of tax rate changes on defined benefit plans	(185)	-
Unrealized loss from financial assets at fair value through other comprehensive income	280	-
Cash dividends	(50,438)	(4,432)
Acquisition or disposal of the interest of subsidiaries	(25,195)	65,731
Changes in subsidiaries' ownership	-	(105,232)
Ending balance	<u>\$2,041,135</u>	<u>\$1,971,043</u>

(20) Operating Income

	Three months ended September 30		Nine months ended September 30	
	2018(Note)	2017	2018(Note)	2017
Contract revenue from customers				
Sale of goods	\$14,524,656	\$13,594,586	\$40,076,388	\$37,122,695
Revenue arising from rendering of services	301,433	136,895	724,137	322,383
Other operating revenues	<u>112,028</u>	<u>161,558</u>	<u>458,652</u>	<u>605,376</u>
Total	<u>\$14,938,117</u>	<u>\$13,893,039</u>	<u>\$41,259,177</u>	<u>\$38,050,454</u>

Note: The Group has adopted IFRS 15 from January 1, 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

The Group has adopted IFRS 15 from January 1, 2018. Analysis of revenue from contracts with customers during the period is as follows:

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(1) Revenue of Segments

For the three months ended September 30, 2018

	Energy – saving products segment	Image products and brand segment	Optical component segment	Other Segment	Elimination	Total
Sale of goods	\$6,675,538	\$5,521,590	\$2,029,558	\$587,513	\$(289,543)	\$14,524,656
Revenue arising from rendering of	261,710	11,375	7,685	29,590	(8,927)	301,433
Other operating	23,899	59,003	24,206	5,336	(416)	112,028
Total	<u>\$6,961,147</u>	<u>\$5,591,968</u>	<u>\$2,061,449</u>	<u>\$622,439</u>	<u>\$(298,886)</u>	<u>\$14,938,117</u>
The timing of revenue recognition:						
At a point in time	<u>\$6,961,147</u>	<u>\$5,591,968</u>	<u>\$2,061,449</u>	<u>\$622,439</u>	<u>\$(298,886)</u>	<u>\$14,938,117</u>

For the nine months ended September 30, 2018

	Energy – saving products segment	Image products and brand segment	Optical component segment	Other Segment	Elimination	Total
Sale of goods	\$18,657,684	\$15,601,078	\$4,725,278	\$1,921,463	\$(829,115)	\$40,076,388
Revenue arising from rendering of	597,915	33,789	14,317	104,801	(26,685)	724,137
Other operating	176,158	144,399	128,599	12,035	(2,539)	458,652
Total	<u>\$19,431,757</u>	<u>\$15,779,266</u>	<u>\$4,868,194</u>	<u>\$2,038,299</u>	<u>\$(858,339)</u>	<u>\$41,259,177</u>
The timing of revenue recognition:						
At a point in time	<u>\$19,431,757</u>	<u>\$15,779,266</u>	<u>\$4,868,194</u>	<u>\$2,038,299</u>	<u>\$(858,339)</u>	<u>\$41,259,177</u>

(2) Contract balance

Contract liabilities-current

	January 1, 2018	September 30, 2018	Difference
Sale of goods	\$263,047	\$346,778	\$83,731
Revenue arising from rendering of services	434	122	(312)
Other operating revenues	124,941	105,828	(19,113)
Total	<u>\$388,422</u>	<u>\$452,728</u>	<u>\$64,306</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

During the nine months ended September 30, 2018, contract liabilities significantly increased as additional performance obligations have not been satisfied and NT\$358,277 thousand included in the contract liability at the beginning of the period was recognized as revenue during the period.

(3) Transaction price allocated to unsatisfied performance obligations

As of September 30, 2018, there is no need to provide relevant information of the unsatisfied performance obligations as the contracts with customers about the sales of goods are all lower than one year.

(21) Expected credit losses

	three months ended September 30		nine months ended September 30	
	2018	2017(Note)	2018	2017(Note)
Operating expenses – Expected credit losses				
Trade Receivables	\$14,573		\$38,101	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group measures trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of September 30, 2018 is as follows:

The Group need to consider the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details as below:

		Past due					
	Neither past due	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	Total
Gross carrying amount	\$13,681,727	\$829,182	\$138,277	\$10,045	\$10,801	\$156,872	\$14,826,904
Loss ratio	0%	0-2%	5%	30%	50%	100%	
Expected credit losses	-	(721)	(4,818)	(1,450)	(3,218)	(147,503)	(157,710)
Subtotal	\$13,681,727	\$828,461	\$133,459	\$8,595	\$7,583	\$9,369	\$14,669,194

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The movement of provision for impairment of trade receivables during the period is as follows:

	Trade receivables
As of January 1, 2018 (IAS 39)	\$129,607
Beginning adjusted retained earning	-
As of January 1, 2018 (IFRS 9)	129,607
Charge for the current period	38,101
Write-offs	(6,419)
Exchange differences	(3,579)
As of September 30, 2018	<u>\$157,710</u>

(22) Operating Lease

A. Operating lease commitments - the Group as lessee

The Group's land for its Science Park plant is leased from the Science Industry Park Bureau, and as follows:

Location	Current annual rent	Lease period
Hsinchu Science Industrial Park	\$7,103	2017.07.01-2036.12.31
Jhunan Science Park	3,916	2001.07.01-2020.12.31
Tainan Science Industrial Park	8,951	2003.11.01-2022.12.31

The future aggregate minimum rentals payable under non-cancelable operating leases are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than one year	\$82,467	\$63,825	\$57,029
Later than one year but not later than five years	244,276	183,031	147,117
Later than five years	210,931	143,275	148,322
Total	<u>\$537,674</u>	<u>\$390,131</u>	<u>\$352,468</u>

Operating lease expense as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
Minimum lease payments	\$85,454	\$91,136	\$266,626	\$248,521

B. Operating lease commitments - the Group as lessor

The Group has entered into a commercial property leases with remaining terms of no more than five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Future minimum rentals receivable under non-cancellable operating leases as of September 30, 2018, December 31, 2017, and September 30, 2017, are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than one year	\$28,377	\$13,822	\$14,478
Later than one year but not later than five years	42,944	6,372	9,357
Later than five years	-	-	106
Total	\$71,321	\$20,194	\$23,941

(23) Summary Statement of Employee Benefits, Depreciation and Amortization Expenses by Function

	Three months ended September 30					
	2018			2017		
	Operating Cost	Operating expenses	Total amount	Operating Cost	Operating expenses	Total amount
Employee benefits expense	\$1,040,934	\$1,329,631	\$2,370,565	\$1,200,421	\$1,141,139	\$2,341,560
Salaries	882,544	1,163,432	2,045,976	995,395	991,078	1,986,473
Labor and health insurance	36,969	79,602	116,571	56,770	72,288	129,058
Pension	54,392	48,866	103,258	78,089	46,546	124,635
Other employee benefits expense	67,029	37,731	104,760	70,167	31,227	101,394
Depreciation	196,553	60,275	256,828	202,683	73,056	275,739
Amortization	11,222	18,486	29,708	3,115	19,023	22,138

	Nine months ended September 30					
	2018			2017		
	Operating Cost	Operating expenses	Total amount	Operating Cost	Operating expenses	Total amount
Employee benefits expense	\$2,756,700	\$3,680,442	\$6,437,142	\$3,318,253	\$3,299,286	\$6,617,539
Salaries	2,336,721	3,200,901	5,537,622	2,780,150	2,853,381	5,633,531
Labor and health insurance	103,840	227,225	331,065	143,460	212,690	356,150
Pension	154,301	143,631	297,932	197,127	137,988	335,115
Other employee benefits expense	161,838	108,685	270,523	197,516	95,227	292,743
Depreciation	567,234	176,608	743,842	609,710	215,191	824,901
Amortization	23,595	56,735	80,330	7,308	43,016	50,324

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

According to the Articles of Incorporation of the Company, 10% to 20% of profit of the current year is distributable as employees' compensation. However, the company's accumulated losses shall have been covered. CORE may, 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 in the form of shares or in cash; and thereto a report of such distribution is submitted to the shareholders' meeting. The Articles of Incorporation are to be amended in the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

CORE accrued employees' compensation based on a specific rate of profit for the nine months ended September 30, 2018 and 2017. The amounts of employees' compensation was NT\$93,321 thousand and NT\$61,666 thousand for the three months ended September 30, 2018 and 2017, respectively. The amounts of employees' compensation was NT\$186,962 thousand and NT\$138,711 thousand for the nine months ended September 30, 2018 and 2017, respectively. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day earlier than the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, CORE will recognize the change as an adjustment to next year income.

A resolution was approved at a Board of Directors' meeting held on January 29, 2018 to distribute NT\$256,596 thousand in cash as employees' compensation.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses for the year ended December 31, 2017 and 2016.

(24) Non-Operating Income and Expenses

A. Other income

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Interest income				
Financial assets measured at amortized cost	\$109,664	\$78,840	\$300,764	\$219,383
Rental income	3,721	10,466	12,650	28,998
Gain from bargain purchase	-	4,247	-	4,247
Dividend income	-	2,261	-	2,261
Other	36,429	51,338	104,772	138,636
Total	\$149,814	\$147,152	\$418,186	\$393,525

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. Other gains and losses

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
(Losses) gains on disposal of property, plant and equipment	\$(1,992)	\$8,322	\$(1,815)	\$(1,182)
Foreign exchange gain (loss), net	98,293	23,182	(22,639)	218,179
(Losses) gains on financial assets (liabilities) at fair value through profit or loss (Note a and b)	(39,587)	20,087	290,667	(125,406)
Gains (losses) on disposal of investments	-	14,191	(5,157)	12,233
Impairment losses	-	-	(40,104)	-
Other	(11,937)	(8,815)	(29,336)	(27,964)
Total	<u>\$44,777</u>	<u>\$56,967</u>	<u>\$191,616</u>	<u>\$75,860</u>

Note:

- a. Balance in the three months and nine months ended September 30, 2018 was arising from financial assets mandatorily measured at fair value through profit or loss and balance in the three months and nine months ended September 30, 2017 was arising from held for trading financial assets.
- b. Balances in the three months and nine months ended September 30, 2018 and 2017 were arising from held for trading financial liabilities.

C. Finance cost

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Interest on borrowings from bank	\$60,772	\$43,956	\$175,203	\$124,138
Interest on obligations under finance leases	-	-	6	-
Total	<u>\$60,772</u>	<u>\$43,956</u>	<u>\$175,209</u>	<u>\$124,138</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(25) Components of Other Comprehensive Income

For the three months ended September 30, 2018

	Arising during	Income tax benefit	Other
	the period	(expense)	comprehensive
			income, net of tax
<u>Not to be reclassified to profit or loss:</u>			
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	\$(2,642)	\$(60)	\$(2,702)
<u>To be reclassified to profit or loss in subsequent periods:</u>			
Exchange differences on translation of foreign operations	(739,963)	-	(739,963)
Gain (losses) from hedging instruments	142	(77)	65
Total of other comprehensive income	<u>\$(742,463)</u>	<u>\$(137)</u>	<u>\$(742,600)</u>

For the three months ended September 30, 2017

	Arising during	Income tax benefit	Other
	the period	(expense)	comprehensive
			income, net of tax
<u>To be reclassified to profit or loss in subsequent periods:</u>			
Exchange differences on translation of foreign operations	\$281,582	\$-	\$281,582
Unrealized gains from available-for-sale financial assets	27,867	-	27,867
Gains (loss) on effective portion of cash flow hedges	46,264	(5,380)	40,884
Total of other comprehensive income	<u>\$355,713</u>	<u>\$(5,380)</u>	<u>\$350,333</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the nine months ended September 30, 2018

	Arising during	Income tax benefit	Other
	the period	(expense)	comprehensive
			income, net of tax
<u>Not to be reclassified to profit or loss:</u>			
Unrealized gains from equity			
instruments investments measured			
at fair value through other			
comprehensive income	\$25,329	\$215	\$25,544
Remeasurements of defined benefit			
plans	-	1,670	1,670
<u>To be reclassified to profit or loss in</u>			
<u> subsequent periods:</u>			
Exchange differences on translation			
of foreign operations	(466,702)	-	(466,702)
Gain (Losses) from hedging			
instruments	8,696	(4,113)	4,583
Total of other comprehensive income	<u>\$ (432,677)</u>	<u>\$ (2,228)</u>	<u>\$ (434,905)</u>

For the nine months ended September 30, 2017

	Arising during	Income tax benefit	Other
	the period	(expense)	comprehensive
			income, net of tax
<u>To be reclassified to profit or loss in</u>			
<u> subsequent periods:</u>			
Exchange differences on translation			
of foreign operations	\$(525,350)	\$-	\$(525,350)
Unrealized gains from			
available-for-sale financial assets	53,241	-	53,241
Gains (losses) on effective portion of			
cash flow hedges	5,516	(978)	4,538
Total of other comprehensive income	<u>\$ (466,593)</u>	<u>\$ (978)</u>	<u>\$ (467,571)</u>

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(26) Income Tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, CORE's applicable corporate income tax rate for 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Current income tax expense (income):				
Current income tax charge	\$302,937	\$140,635	\$621,148	\$433,964
Adjustments in respect of current income tax of prior periods	(19,071)	(7)	(17,865)	(5,428)
Deferred tax expense (income):				
Deferred tax (income) expense relating to origination and reversal of temporary differences	(53,329)	(31,071)	(19,622)	(81,888)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	55,593	951	(22,088)	(3,427)
Deferred tax (income) expense relating to changes in tax rate or the imposition of new taxes	-	-	(31,858)	-
Tax (income) expense recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(55,941)	(927)	25,996	3,663
Deferred tax expense arising from write-down or reversal of write-down of deferred tax asset	19,377	19,897	11,589	25,095
Other	6,025	125	6,217	344
Total income tax expense	<u>\$255,591</u>	<u>\$129,603</u>	<u>\$573,517</u>	<u>\$372,323</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Income tax relating to components of other comprehensive income

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Deferred income tax income (expense):				
(Loss) gain on hedging instruments	\$(77)	\$-	\$(4,113)	\$-
Remeasurements of defined benefit plans	-	-	1,670	-
Unrealized (losses) gains from equity instruments investments measured at fair value through other comprehensive income	(60)	-	215	-
Unrealized gains from on effective portion of cash flow hedges	-	5,380	-	978
Total	<u>\$(137)</u>	<u>\$5,380</u>	<u>\$(2,228)</u>	<u>\$978</u>

The assessment of income tax returns

As of September 30, 2018 the assessment of the income tax returns of the Group and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
CORE	Assessed and approved up to 2016
TYO	Assessed and approved up to 2015
Optoma	Assessed and approved up to 2015
CGT	Assessed and approved up to 2016
Tsen Ming Investment Corp.	Assessed and approved up to 2016
YGE	Assessed and approved up to 2016
YLT	Assessed and approved up to 2015
Aptek Optical Corp.	Assessed and approved up to 2016
CICS	Assessed and approved up to 2016
CVC	Assessed and approved up to 2016

(27) Earnings Per Share

Basic earnings per share amounts are calculated by dividing net income for the year attributable to ordinary equity holders of the parent company by the weighted-average number of ordinary shares outstanding during the year.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
A. Basic earnings per share				
Profit attributable to ordinary shareholders of the parent (in thousand NT\$)	\$673,737	\$418,321	\$1,322,257	\$955,296
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	434,423	434,423	434,423	434,423
Basic earnings per share (NT\$)	\$1.55	\$0.96	\$3.04	\$2.20
	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
B. Diluted earnings per share				
Profit attributable to ordinary shareholders of the parent after dilution (in thousand NT\$)	\$673,737	\$418,321	\$1,322,257	\$955,296
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	434,423	434,423	434,423	434,423
Effect of dilution:				
Employee Bonus — stock (in thousand)	3,475	3,675	5,293	5,721
Weighted average number of ordinary shares outstanding after dilution (in thousand)	437,898	438,098	439,716	440,144
Diluted earnings per share (NT\$)	\$1.53	\$0.95	\$3.01	\$2.17

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(28) Business Combinations

The Acquisition

CORE acquired 100% of the shares of Calibre UK Ltd. ("CAL") in July 2017. CAL mainly engages in R&D design, production and marketing of image processing products. The purpose of this merger is to enhance CORE's development ability of image processing.

The fair value was determined based on market approach. The fair values of the identifiable assets and liabilities of CAL as of the acquisition date were:

	Fair value recognized on the acquisition date
Assets	
Cash and cash equivalents	\$170
Accounts receivable	5,778
Other receivables	45
Inventories	8,442
Prepayment	3,231
Property, plant and equipment	16,794
Intangible assets	52,396
Liabilities	
Short-term borrowings	(6,722)
Accounts payable	(7,709)
Other payables	(11,469)
Current portion of long-term borrowings	(2,329)
Long-term borrowings	(8,674)
Deferred tax liabilities	(5,865)
Identifiable net assets	<u>\$44,088</u>

Gain from bargain purchase of CAL is as follows:

	Amount
Cash considerations	\$39,841
Less: identifiable net assets at fair value	(44,088)
Gain from bargain purchase	<u>\$(4,247)</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Cash flow for acquisition:

	Amount
Consideration paid for acquisition	\$(39,841)
Other payables	21,400
Net cash acquired from the subsidiary	170
Net cash flow-out on acquisition	<u>\$(18,271)</u>

(29) Subsidiaries that have Material Non-Controlling Interests

Financial information of subsidiaries that have material non-controlling interests is provided below:

Percentage of equity interest held by non-controlling interests:

Subsidiary	Country of incorporation and operation	September 30, 2018	December 31, 2017	September 30, 2017
Young Optics Inc.	Taiwan	55.85%	54.12%	53.77%

	September 30, 2018	December 31, 2017	September 30, 2017
Accumulated balance of material non-controlling interests			
Young Optics, Inc.	<u>\$1,962,452</u>	<u>\$1,830,848</u>	<u>\$1,815,474</u>

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Profit allocated to material non-controlling interest				
Young Optics, Inc.	<u>\$63,977</u>	<u>\$(19,922)</u>	<u>\$95,365</u>	<u>\$(80,709)</u>

The summarized financial information of these subsidiaries is provided below. This information is based on the amount before inter-company sales.

Summarized information of profit or loss for the three months ended September 30, 2018:

	Young Optics Inc.
Operating revenue	\$2,061,448
Gain for the period from continuing operations	115,411
Total comprehensive income for the period	47,244

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Summarized information of profit or loss for the three months ended September 30, 2017:

	<u>Young Optics Inc.</u>
Operating revenue	\$1,190,433
Loss for the period from continuing operations	(37,966)
Total comprehensive income for the period	(12,758)

Summarized information of profit or loss for the nine months ended September 30, 2018:

	<u>Young Optics Inc.</u>
Operating revenue	\$4,868,193
Gain for the period from continuing operations	173,114
Total comprehensive income for the period	130,522

Summarized information of profit or loss for the nine months ended September 30, 2017:

	<u>Young Optics Inc.</u>
Operating revenue	\$3,085,541
Loss for the period from continuing operations	(150,059)
Total comprehensive income for the period	(212,563)

Summarized information of financial position as of September 30, 2018:

	<u>Young Optics Inc.</u>
Current assets	\$3,938,919
Non-current assets	2,404,702
Current liabilities	(2,465,244)
Non-current liabilities	(370,780)

Summarized information of financial position as of December 31, 2017:

	<u>Young Optics Inc.</u>
Current assets	\$3,116,813
Non-current assets	2,264,930
Current liabilities	(1,524,075)
Non-current liabilities	(480,774)

Summarized information of financial position as of September 30, 2017:

	<u>Young Optics Inc.</u>
Current assets	\$3,113,448
Non-current assets	2,249,337
Current liabilities	(1,466,965)
Non-current liabilities	(524,170)

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Summarized cash flow information for the nine months ended September 30, 2018:

	<u>Young Optics Inc.</u>
Operating activities	\$260,510
Investing activities	(262,547)
Financing activities	259,683
Net increase in cash and cash equivalents	211,751

Summarized cash flow information for the nine months ended September 30, 2017:

	<u>Young Optics Inc</u>
Operating activities	\$(156,566)
Investing activities	(149,274)
Financing activities	(135,880)
Net decrease in cash and cash equivalents	(482,332)

7. Related Party Transactions

(1) Related Party Name and Catagories

<u>Related Party Name</u>	<u>Related Party Catagories</u>
Gunze Limited (“Gunze”)	Joint Venture
DongGuan Guan Zhi Electronics Ltd. (“DongGuan Guan Zhi”)	Associate of Joint Venture
Guan Zhi(HK)	Associate of Joint Venture
Mr. Wade Chang	Chairman of the Company
Relative within the second degree of the CORE’s chairman	Other related parties

(2) Significant transactions with related parties

i. Sales

	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
DongGuan Guan Zhi	\$2,936	\$3,249	\$11,180	\$6,570

The sales price to the above related parties was determined through mutual agreement based on the market rates. The payment terms are not significantly different between related parties and third-party customers. The receivables-related parties were not pledged, bearing no interest and were paid in cash. The receivables-related parties also were not guaranteed.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

ii. Purchases

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Gunze	\$53,118	\$83,081	\$175,804	\$184,944
DongGuan Guan Zhi	390	69	1,123	72
Total	\$53,508	\$83,150	\$176,927	\$185,016

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are between 60-90 days.

iii. Accounts Receivable from Related Parties

	September 30, 2018	December 31, 2017	September 30, 2017
DongGuan Guan Zhi	\$1,671	\$1,374	\$1,855

iv. Accounts Payable to Related Parties

	September 30, 2018	December 31, 2017	September 30, 2017
Gunze	\$24,819	\$39,911	\$43,135
DongGuan Guan Zhi	94	-	-
Total	\$24,913	\$39,911	\$43,135

v. Others

In May 2017, Optoma bought back 250,000 shares and 751,550 shares of treasury stocks from the Chairman of CORE and relative within the second degree of the CORE's Chairman. The purchase prices of treasury stock are NT\$2,500 thousand and NT\$7,516 thousand, respectively. Payments have been paid as of September 30, 2017.

vi. Key Management Personnel Compensation

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	\$29,938	\$20,290	\$107,676	\$92,255
Post-employment benefits	432	318	1,295	1,092
Total	\$30,370	\$20,608	\$108,971	\$93,347

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

8. Assets Pledged As Collateral

The following assets of the Group pledged as collateral:

Assets pledged as collateral	Carrying amount			Purpose of pledge
	September 30, 2018	December 31, 2017	September 30, 2017	
Land	\$13,430	\$13,501	\$13,339	Collateral for long-term borrowings
Buildings (including investment property)	774,722	801,133	809,937	Collateral for long-term borrowings
Time deposits (shown as "Other receivables")	23,994	24,166	24,166	Lease execution deposits
Time deposits (shown as "Other receivables")	33,572	9,718	13,954	Customs import guarantee
Bank deposits (Shown as "Other receivables")	9,158	8,928	9,078	Derivative execution deposits
Bank deposits (Shown as "Other receivables")	2,010	2,063	-	Export tax guarantee
Time deposits (shown as "Other receivables")	1,472	1,438	1,438	Subsidy performance guarantee
Time deposits (shown as "Other noncurrent assets")	20,769	20,765	20,765	Lease execution deposits
Time deposits (shown as "Other noncurrent assets")	1,062	1,058	1,054	Customs import guarantee
Total	<u>\$880,189</u>	<u>\$882,770</u>	<u>\$893,731</u>	

9. Commitments and Contingencies

Amounts available under unused letters of credit as of September 30, 2018 are NT\$129,626 thousand.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

12. Others

(1) Categories of Financial Instruments

Financial assets

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets at fair value through profit or loss:			
Held for trading	(Note 1)	\$67,435	\$69,934
Mandatorily measured at fair value through profit or loss	94,901	(Note 1)	(Note 1)
Financial assets at fair value through other comprehensive income	450,329	(Note 1)	(Note 1)
Available-for-sale financial assets (including financial assets measured at cost)	(Note 1)	315,029	366,053
Financial assets measured at amortized cost (Note 2)	32,684,217	(Note 1)	(Note 1)
Loans and receivables(Note 2)	(Note 1)	35,085,814	32,858,736
Hedging financial assets	4,396	147,519	192,666
Total	\$33,233,843	\$35,615,797	\$33,487,389

Financial liabilities

	September 30, 2018	December 31, 2017	September 30, 2017
Financial liabilities at amortized cost:			
Short-term borrowings	\$7,386,570	\$8,176,659	\$7,424,641
Accounts payables (including related parties)	10,960,488	12,891,294	13,013,669
Other payables	4,230,500	3,928,009	3,724,651
Long-term borrowings (including current portion)	500,805	508,275	510,872
Subtotal	23,078,363	25,504,237	24,673,833
Financial liabilities at fair value through profit or loss:			
Held for trading	(Note 1)	66,910	36,187
Mandatorily measured at fair value through profit or loss-current	120,645	-	-
Subtotal	120,645	66,910	36,187
Hedging financial liabilities-current	1,694	156,598	188,865
Total	\$23,200,702	\$25,727,745	\$24,898,885

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Note :

- (1) The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.
- (2) Including cash and cash equivalents (exclude cash on hand), note receivables, trade receivables, and other receivables.

(2) Financial Risk Management Objectives and Policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

When NTD appreciates or depreciates against USD by 1%, the profit for the nine months ended September 30, 2018 and 2017 is decreased/increased by NT\$93,259 thousand and NT\$100,212 thousand, while equity is decreased/increased by NT\$244,907 thousand and NT\$231,204 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and bank borrowings with variable interest rate swaps. At the reporting date, an increase/decrease of 1% of interest rate in a reporting period could cause the profit for the nine months ended September 30, 2018 and 2017 to decreased/increased by NT\$49,667 thousand and NT\$52,656 thousand, respectively.

Equity price risk

The fair value of the Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

For the nine months ended September 30, 2017, an increase/decrease of 1% in the price of the listed equity securities classified as available-for-sale could have an impact of NT\$501 thousand on the other comprehensive income to the Group.

For the nine months ended September 30, 2018, an increase/decrease of 1% in the price of the listed equity securities classified as equity instrument at fair value through profit or loss could have an impact of NT\$215 thousand on the income attributable to the Group.

For the nine months ended September 30, 2018, an increase/decrease of 1% in the price of the listed equity securities classified as equity instrument at fair value through other comprehensive income could have an impact of NT\$4,503 thousand on the equity attributable to the Group.

(4) Credit Risk Management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of September 30, 2018, December 31, 2017, and September 30, 2017, receivables from top ten customers represented 63% , 67% , and 68% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables was insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity Risk Management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
As of September 30, 2018					
Borrowings	\$7,571,564	\$335,253	\$2,062	\$2,346	\$7,911,225
Accounts payables					
(including related parties)	10,960,488	-	-	-	10,960,488
Other payables	4,230,500	-	-	-	4,230,500
As of December 31, 2017					
Borrowings	\$8,240,580	\$339,847	\$125,846	\$3,155	\$8,709,428
Accounts payables					
(including related parties)	12,891,294	-	-	-	12,891,294
Other payables	3,928,009	-	-	-	3,928,009

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
As of September 30, 2017					
Borrowings	\$7,446,990	\$341,335	\$167,431	\$3,464	\$7,959,220
Accounts payables (including related parties)	13,013,669	-	-	-	13,013,669
Other payables	3,724,651	-	-	-	3,724,651

Financial liabilities

	Less than 1 year	1 to 3 years	Total
As of September 30, 2018			
Inflows	\$-	\$-	\$-
Outflows	122,339	-	122,339
Net	<u>\$122,339</u>	<u>\$-</u>	<u>\$122,339</u>

As of December 31, 2017			
Inflows	\$-	\$-	\$-
Outflows	223,508	-	223,508
Net	<u>\$223,508</u>	<u>\$-</u>	<u>\$223,508</u>

As of September 30, 2017			
Inflows	\$-	\$-	\$-
Outflows	225,052	-	225,052
Net	<u>\$225,052</u>	<u>\$-</u>	<u>\$225,052</u>

The table above contains the undiscounted net cash flows of derivative financial liabilities.

(6) Reconciliation of liabilities arising from financing activities:

Reconciliation of liabilities as of September 30, 2018:

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Other liabilities- noncurrent	Total liabilities from financing activities
January 1, 2018	\$8,176,659	\$508,275	\$20,529	\$25,495	\$8,730,958
Cash flows	(790,089)	(7,437)	115,841	(51)	(681,736)
Exchange differences	-	(33)	-	(21)	(54)
September 30, 2018	<u>\$7,386,570</u>	<u>\$500,805</u>	<u>\$136,370</u>	<u>\$25,423</u>	<u>\$8,049,168</u>

Reconciliation of liabilities as of September 30, 2017:

Not applicable

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(7) Fair Value of Financial Instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, trade receivables, short-term borrowings, trade payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.
- (c) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model or other valuation method.
- (d) The fair value of long-term borrowings without active market is determined by using valuation techniques. Therefore, the fair value is estimated using the present value of the expected cash flows. The assumption of interest rate and discount rate mainly is measured by similar financial instruments.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative Instruments

The related information for derivative financial instruments not yet settled as follows:

Forward currency contracts and cross currency contracts

The Group entered into forward currency and cross currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency and forward cross currency contracts:

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Item (by contract)	Notional Amount	Contract Period
As of September 30, 2018		
Forward currency contract		
Selling forward currency contracts	USD 277,000 thousand	From October 2018 to January 2019
Buying forward currency contracts	USD 353,000 thousand	From October 2018 to January 2019
Selling forward currency contracts	EUR 11,500 thousand	From October 2018 to November 2018
Selling forward currency contracts	CAD 1,500 thousand	From October 2018 to December 2018
Forward cross currency contract	USD 30,500 thousand	From October 2018 to December 2018

As of December 31, 2017

Forward currency contract		
Selling forward currency contracts	USD 210,000 thousand	From January 2018 to July 2018
Buying forward currency contracts	USD 210,500 thousand	From January 2018 to March 2018
Selling forward currency contracts	EUR 14,500 thousand	From January 2018 to February 2018
Selling forward currency contracts	CAD 300 thousand	March 2018
Forward cross currency contract	USD 22,500 thousand	From January 2018 to March 2018

As of September 30, 2017

Forward currency contract		
Selling forward currency contracts	USD 173,000 thousand	From October 2017 to March 2018
Buying forward currency contracts	USD 188,500 thousand	From October 2017 to January 2017
Selling forward currency contracts	EUR 10,500 thousand	From October 2017 to November 2017
Selling forward currency contracts	CAD 350 thousand	November 2017
Forward cross currency contract	USD 22,500 thousand	From October 2017 to December 2017

Hedging forward currency contracts

The currency of sales, costs of goods sold and trade on behalf of the purchase were in US Dollars or British Pounds. The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are designated as hedging instruments. The table below lists the information related to forward currency contracts:

Item (by contract)	Notional Amount	Contract Period
As of September 30, 2018		
Forward currency contract		
Selling forward currency contracts	USD 6,000 thousand	December 2018
Buying forward currency contracts	USD 6,000 thousand	December 2018
Selling forward currency contracts	GBP 5,500 thousand	October 2018

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Item (by contract)	Notional Amount		Contract Period
As of December 31, 2017			
Forward currency contract			
Selling forward currency contracts	USD	369,500 thousand	From January 2018 to September 2018
Buying forward currency contracts	USD	369,500 thousand	From January 2018 to September 2018
Selling forward currency contracts	GBP	5,500 thousand	From January 2018 to March 2018
As of September 30, 2017			
Forward currency contract			
Selling forward currency contracts	USD	457,500 thousand	From October 2017 to May 2018
Buying forward currency contracts	USD	457,500 thousand	From October 2017 to May 2018
Selling forward currency contracts	GBP	5,500 thousand	From October 2017 to December 2017

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

September 30, 2018				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$73,282	\$-	\$73,282
Forward cross currency contract	-	79	-	79
Stock	-	-	21,540	21,540
Hedging financial assets-current	-	4,396	-	4,396
Equity instrument measured at fair value through other comprehensive income				
	-	-	450,329	450,329
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	-	116,663	-	116,663
Forward cross currency contract	-	3,982	-	3,982
Hedging financial liabilities-current	-	1,694	-	1,694
December 31, 2017				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$67,435	\$-	\$67,435
Hedging derivative financial assets-current	-	147,519	-	147,519
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	-	62,762	-	62,762
Forward cross currency contract	-	4,148	-	4,148
Hedging derivative financial liabilities-current	-	156,598	-	156,598

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$68,712	\$-	\$68,712
Forward cross currency contract	-	1,222	-	1,222
Available-for-sale financial assets				
Stock	50,067	-	-	50,067
Hedging derivative financial assets-current	-	192,666	-	192,666
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	-	35,094	-	35,094
Forward cross currency contract		1,093		1,093
Hedging derivative financial liabilities-current	-	188,865	-	188,865

Transfers between the Level 1 and Level 2 during the period

During the nine months ended September 30, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Change in reconciliation for fair value measurements in Level 3

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Assets		
	At fair value through profit or loss	At fair value through other comprehensive income	
	Stock	Stock	Total
As of January 1, 2018:	\$21,001	\$422,757	\$443,758
Total gains and losses recognized for the nine months period ended September 30, 2018:			
Amount recognized in profit or loss (presented in “other profit or loss”)	539	-	539
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	25,544	25,544
Tax effect	-	(215)	(215)
Exchange differences	-	2,243	2,243
As of September 30, 2018	\$21,540	\$450,329	\$471,869

Total gains and losses recognized in profit or loss for the nine months ended September 30, 2018 in the table above contain gains (losses) related to assets on hand as of September 30, 2018 in the amount of NT\$539 thousand.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

At September 30, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
At fair value through profit or loss					
Stock	Income Approach	Lack of marketability	27.2%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in decrease/increase in profit or loss by NT\$745 thousand /NT\$760 thousand.
Financial assets at fair value through other comprehensive income					
Stock	Asset-Based Approach	Not Applicable	-	-	-
	Market Approach	P/E ratio of similar entities	1.14	The higher the P/E ratio of similar entities, the higher the fair value estimated	10% increase (decrease) in the P/E ratio of similar entities would result in increase /decrease in equity by NT\$2,578 thousand/ NT\$2,824 thousand.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Assets Management Center(AMC) is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. AMC analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

		September 30, 2018			
		Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:					
Investment properties (please refer to Note 6(12))		\$-	\$-	\$217,000	\$217,000
		December 31, 2017			
		Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:					
Investment properties (please refer to Note 6(12))		\$-	\$-	\$217,000	\$217,000
		September 30, 2017			
		Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:					
Investment properties (please refer to Note 6(12))		\$-	\$-	\$226,300	\$226,300

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(10) Significant Assets and Liabilities Denominated in Foreign Currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

September 30, 2018			
	Foreign currencies	Exchange rate	NTD thousand
<u>Financial assets</u>			
Monetary item:			
USD	\$968,551	30.53	\$29,565,019
JPY	162,988	0.2692	43,876
RMB	3,796	4.4373	16,844
GBP	209	39.90	8,339
EUR	327	35.48	11,602
Non-Monetary items:			
USD	\$2,200	30.53	\$67,155

Financial Liabilities

Monetary items:			
USD	\$663,034	30.53	\$20,239,113
JPY	106,208	0.2692	28,591
GBP	1,475	39.90	58,851

December 31, 2017			
	Foreign currencies	Exchange rate	NTD thousand
<u>Financial assets</u>			
Monetary item:			
USD	\$1,032,825	29.76	\$30,736,872
GBP	13,305	40.11	533,664
JPY	164,149	0.2642	43,368
RMB	3,741	4.5645	17,076
Non-Monetary items:			
USD	\$1,914	29.76	\$56,946

Financial Liabilities

Monetary items:			
USD	\$658,486	29.76	\$19,596,543
GBP	19,532	40.11	783,429
JPY	56,975	0.2642	15,053

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	September 30, 2017		
	Foreign currencies	Exchange rate	NTD thousand
<u>Financial assets</u>			
Monetary item:			
USD	\$999,930	30.26	\$30,257,882
GBP	10,298	40.56	417,687
JPY	171,486	0.2691	46,147
Non-Monetary items:			
USD	\$1,914	30.26	\$57,903
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$668,761	30.26	\$20,236,708
GBP	22,276	40.56	903,515
JPY	37,593	0.2691	10,116

The Group's entities functional currency are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange (loss) gain was NT\$(22,639) thousand and NT\$218,179 thousand for the nine months ended September 30, 2018 and 2017, respectively.

(11) Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) The following are additional disclosures for the Group and its affiliates:

- A. Financing provided to others for the nine months ended September 30: Please refer to Attachment 1-3.
- B. Endorsement/Guarantee provided to others for the nine months ended September 30: Please refer to Attachment 1.
- C. Securities held as of nine months ended September 30 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 2.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine months ended September 30: None.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine months ended September 30: None.
 - F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine months ended September 30: None.
 - G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the nine months ended September 30: Please refer to Attachment 3.
 - H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of nine months ended September 30: Please refer to Attachment 4.
 - I. The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to Attachment 5.
 - J. Financial instruments and derivative transactions: Please refer to Note 6(3), Note 6 (15), Note 12(1), Note 12(8) and Attachment 8.
- (2) Information on investees
- A. Relevant information on investees when the investees have significant influence or direct or indirect control. Please refer to Attachments 6, 6-1, 6-2, and 6-3.
 - B. When the investees have significant influence or direct or indirect control, the above items from A to I shall be disclosed. Please refer to Attachments 1-1, 1-2, 2-1, 3-1, 4-1 and 9.
 - C. Financial instruments and derivative transactions: Please refer to Attachment 8.
- (3) Investment in Mainland China
- A. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7, 7-1 and 7-2.
 - B. Directly or indirectly significant transactions with the investees in Mainland China, please refer to Attachment 5.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

14. Segment information

(1) General Information

A. The Group's reportable segments are organized into business units based on their products and services, and that they will be available for managing units to earn revenues and incur expense. Every unit needs unique technologies and marketing strategies, and the Group's chief operating decision maker manages every unit individually. The Group determined its reportable segments based on the Group's internal reports.

B. The Group has three reportable segments:

- (a) Energy-saving products segments: mainly engaged in the R&D, production and marketing of backlighting, panel modules, medical displays and energy-efficient lighting equipment.
- (b) Image products and brand segments: mainly engaged in the R&D, production and marketing of projector and brand management.
- (c) Optical components segments: mainly engaged in the R&D, production and marketing of projection-related applications of optics related components.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, financial cost, income and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

(2) Segment income, assets and liabilities information

For the three months ended September 30, 2018							
	Energy - saving products segment	Image products and brand segment	Optical components segment	Subtotal	Other segment (Note1)	Adjustment and elimination (Note2)	Total
Revenue							
Net revenue from							
external customers	\$6,908,341	\$5,547,292	\$1,871,318	\$14,326,951	\$611,166	\$-	\$14,938,117
Net revenue from sales							
among intersegments	52,806	44,676	190,131	287,613	11,273	(298,886)	-
Total revenue	\$6,961,147	\$5,591,968	\$2,061,449	\$14,614,564	\$622,439	\$(298,886)	\$14,938,117
Segment income	\$460,590	\$521,033	\$127,095	\$1,108,718	\$(223,271)	\$107,582	\$993,029

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the three months ended September 30, 2017

	Energy - saving products segment	Image products and brand segment	Optical components segment	Subtotal	Other segment (Note1)	Adjustment and elimination (Note2)	Total
Revenue							
Net revenue from							
external customers	\$6,939,539	\$5,217,707	\$1,021,451	\$13,178,697	\$714,342	\$-	\$13,893,039
Net revenue from sales							
among intersegments	135,475	13,519	168,981	317,975	-	(317,975)	-
Total revenue	<u>\$7,075,014</u>	<u>\$5,231,226</u>	<u>\$1,190,432</u>	<u>\$13,496,672</u>	<u>\$714,342</u>	<u>\$(317,975)</u>	<u>\$13,893,039</u>
Segment income	<u>\$242,342</u>	<u>\$321,500</u>	<u>\$(35,636)</u>	<u>\$528,206</u>	<u>\$(23,191)</u>	<u>\$32,707</u>	<u>\$537,722</u>

For the nine months ended September 30, 2018

	Energy - saving products segment	Image products and brand segment	Optical components segment	Subtotal	Other segment (Note1)	Adjustment and elimination (Note2)	Total
Revenue							
Net revenue from							
external customers	\$19,188,362	\$15,702,042	\$4,393,353	\$39,283,757	\$1,975,420	\$-	\$41,259,177
Net revenue from sales							
among intersegments	243,395	77,224	474,841	795,460	62,879	(858,339)	-
Total revenue	<u>\$19,431,757</u>	<u>\$15,779,266</u>	<u>\$4,868,194</u>	<u>\$40,079,217</u>	<u>\$2,038,299</u>	<u>\$(858,339)</u>	<u>\$41,259,177</u>
Segment income	<u>\$1,003,937</u>	<u>\$983,645</u>	<u>\$185,614</u>	<u>\$2,173,196</u>	<u>\$(570,610)</u>	<u>\$393,147</u>	<u>\$1,995,733</u>
Segment Assets(Note3)	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$49,986,511</u>	<u>\$49,986,511</u>

For the nine months ended September 30, 2017

	Energy - saving products segment	Image products and brand segment	Optical components segment	Subtotal	Other segment (Note1)	Adjustment and elimination (Note2)	Total
Revenue							
Net revenue from							
external customers	\$19,521,368	\$13,975,873	\$2,654,514	\$36,151,755	\$1,898,699	\$-	\$38,050,454
Net revenue from sales							
among intersegments	392,915	41,140	431,027	865,082	2,401	(867,483)	-
Total revenue	<u>\$19,914,283</u>	<u>\$14,017,013</u>	<u>\$3,085,541</u>	<u>\$37,016,837</u>	<u>\$1,901,100</u>	<u>\$(867,483)</u>	<u>\$38,050,454</u>
Segment income	<u>\$742,024</u>	<u>\$660,786</u>	<u>\$(144,042)</u>	<u>\$1,258,768</u>	<u>\$(40,136)</u>	<u>\$43,441</u>	<u>\$1,262,073</u>
Segment Assets(Note3)	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$ 50,518,204</u>	<u>\$50,518,204</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Note1: Nine and three operating segments did not meet the quantitative thresholds for reportable segments as of the three months and nine months ended September 30, 2018 and 2017, respectively. They have been combined into other segments.

Note2: Inter-segment revenue are eliminated on consolidation and recorded under the “adjustment and elimination” column, all other adjustments and eliminations are disclosed below.

Note3: If the measurements of the asset were not provided to the decision makers, the amount of the assets to be disclosed by every segment may be expressed as zero and listed as group asset.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net income of reportable segment	\$1,108,718	\$528,206	\$2,173,196	\$1,258,768
Income of other segment	(223,271)	(23,191)	(570,610)	(40,136)
Unallocated amount:				
Interest income	109,664	78,840	300,764	219,383
Interest expense	(60,772)	(43,956)	(175,209)	(124,138)
Financial assets at fair value through profit or loss	(39,587)	20,087	290,667	(125,406)
Exchange net gain(loss)	98,293	23,182	(22,639)	218,179
Others	(16)	(45,448)	(436)	(144,577)
Income before income tax	<u>\$993,029</u>	<u>\$537,722</u>	<u>\$1,995,733</u>	<u>\$1,262,073</u>

ATTACHMENT 1 (Endorsement/Guarantee provided to others for the nine months ended September 30, 2018)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsor/ Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of Endorsement/ Guarantee collateralized by properties	Percentage of accumulated guarantee amount to net worth from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Company Name	Relationship										
0	Coretronic Corporation	Champ Vision Display	Subsidiary	\$ 10,674,391 (Note a)	\$ 900,000	\$ 900,000	\$ -	-	4.22%	\$ 21,348,781 (Note a)	Yes	No	No
0	Coretronic Corporation	YLG Optotech	Associate	10,674,391 (Note a)	140,982 (USD4,590 thousands)	140,110 (USD4,590 thousands)	101,190	-	0.66%	21,348,781 (Note a)	Yes	No	Yes
0	Coretronic Corporation	Coretronic Intelligent Cloud Service Corp.	Subsidiary	10,674,391 (Note a)	1,775	1,775	1,775	-	0.01%	21,348,781 (Note a)	Yes	No	No
0	Coretronic Corporation	Young Lighting Technology	Subsidiary	10,674,391 (Note a)	371,652 (USD12,100 thousands)	-	-	-	0.00%	21,348,781 (Note a)	Yes	No	No
0	Coretronic Corporation	Coretronic Intelligent Robotics Corporation	Subsidiary	10,674,391 (Note a)	12,600	12,600	12,600	-	0.06%	21,348,781 (Note a)	Yes	No	No
0	Coretronic Corporation	Calibre UK Ltd.	Subsidiary	10,674,391 (Note a)	122,190 (GBP3,000 thousands)	119,700 (GBP3,000 thousands)	44,602	-	0.56%	21,348,781 (Note a)	Yes	No	No
	Total				<u>\$ 1,549,199</u>	<u>\$ 1,174,185</u>							

Note a : Based on the procedures of endorsement/guarantee provided to others, the amount of endorsements/guarantees for any single entity shall not exceed 50% of the Company's net worth from the latest financial statement.
Based on the procedures of endorsement/guarantee provided to others, the total amount of endorsements/guarantees shall not exceed 100% of the Company's net worth from the latest financial statement.

ATTACHMENT 1-1 (Financing provided to others for the nine months ended September 30, 2018)

(The certain information is based on the unreviewed financial statements)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	MAT	Brightbridge	Accounts receivables - related parties	Yes	\$ 2,668	\$ -	\$ -	-	The need for short-term financing	-	Business turnover	-	None	-	\$ 1,219,703	\$ 1,219,703
2	Coretronic Projection (Kunshan)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	161,441	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	4,318,143	4,318,143
3	Young Green Energy	Calibre UK Ltd.	Accounts receivables - related parties	Yes	61,095	39,900	39,900	5%	The need for short-term financing	-	Business turnover	-	None	-	81,759	81,759
4	Coretronic (Ningbo)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	1,120,603	1,064,951	1,064,951	0.5%	The need for short-term financing	-	Business turnover	-	None	-	3,169,955	3,169,955
4	Coretronic (Ningbo)	YLG Optotech	Accounts receivables - related parties	Yes	261,078	183,150	183,150	0.5%	The need for short-term financing	-	Business turnover	-	None	-	3,169,955	3,169,955
5	Coretronic (Suzhou)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	941,937	288,424	288,424	0.5%	The need for short-term financing	-	Business turnover	-	None	-	3,705,896	3,705,896
5	Coretronic (Suzhou)	Coretronic System Engineering (Shanghai)	Accounts receivables - related parties	Yes	35,498	35,498	35,498	0.5%	The need for short-term financing	-	Business turnover	-	None	-	3,705,896	3,705,896
6	Bigshine (HK)	Core-Flex	Accounts receivables - related parties	Yes	131,614	130,800	130,800	0.5%	The need for short-term financing	-	Business turnover	-	None	-	286,533	286,533
6	Bigshine (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	153,575	152,625	152,625	0%	The need for short-term financing	-	Business turnover	-	None	-	286,533	286,533
7	Lead Bright (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	148,968	148,047	148,047	0%	The need for short-term financing	-	Business turnover	-	None	-	1,392,540	1,392,540
7	Lead Bright (HK)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	102,183	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	3,481,351	3,481,351
8	Greendale	Coretronic Corporation	Accounts receivables - related parties	Yes	449,023	449,023	449,023	0%	The need for short-term financing	-	Business turnover	-	None	-	2,003,228	2,003,228
8	Greendale	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	145,975	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	5,008,070	5,008,070
9	Investdragon (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	44,537	44,261	44,261	0%	The need for short-term financing	-	Business turnover	-	None	-	44,950	44,950
10	Bigshine	Coretronic Corporation	Accounts receivables - related parties	Yes	45,788	45,788	45,788	0%	The need for short-term financing	-	Business turnover	-	None	-	144,458	144,458
10	Bigshine	Brightbridge	Accounts receivables - related parties	Yes	2,703	2,686	2,686	0.5%	The need for short-term financing	-	Business turnover	-	None	-	361,144	361,144
11	Venture Orient	Coretronic Corporation	Accounts receivables - related parties	Yes	67,573	67,155	67,155	0%	The need for short-term financing	-	Business turnover	-	None	-	182,435	182,435
12	Wisdom Success (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	43,001	42,735	42,735	0%	The need for short-term financing	-	Business turnover	-	None	-	1,984,081	1,984,081
13	Great Pride	Coretronic Corporation	Accounts receivables - related parties	Yes	33,578	33,578	33,578	0%	The need for short-term financing	-	Business turnover	-	None	-	940,513	940,513
14	Nano Precision	Coretronic Corporation	Accounts receivables - related parties	Yes	61,050	61,050	61,050	0%	The need for short-term financing	-	Business turnover	-	None	-	113,982	113,982
15	Dynamic Time	Optoma Corporation	Other receivables - related parties	Yes	522,155	518,925	518,925	0%	The need for short-term financing	-	Business turnover	-	None	-	709,097	709,097
15	Dynamic Time	Optoma USA	Other receivables - related parties	Yes	168,933	167,888	167,888	1.96%-2.34%	The need for short-term financing	-	Business turnover	-	None	-	1,772,742	1,772,742
16	Modern Smart	Optoma USA	Other receivables - related parties	Yes	19,965	19,841	19,841	1.96%	The need for short-term financing	-	Business turnover	-	None	-	130,722	130,722
16	Modern Smart	Optoma Corporation	Other receivables - related parties	Yes	19,965	19,841	19,841	0%	The need for short-term financing	-	Business turnover	-	None	-	52,614	52,614
17	Masterview	Young Optics (BD)	Other receivables - related parties	Yes	122,860	122,100	122,100	2.50%	The need for short-term financing	-	Business turnover	-	None	-	2,089,931	2,089,931
17	Masterview	Mejiro Genossen Inc.	Other receivables - related parties	Yes	15,147	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	835,972	835,972

Note a :Limit of financing amount for individual counter-party and total financing amount should not exceed 100% of lender's net worth from the latest financial statement, including Coretronic (Ningbo) 、 Coretronic (Suzhou) 、 Dynamic Time 、 Modern Smart 、 Bigshine 、 Masterview

The above restriction only applies to the foreign subsidiaries whose shares are 100% owned, directly or indirectly, by the Company.

Note b :Limit of total financing amount for individual counter-party should not exceed 40% of lender's net worth from the latest financial statement, and limit of financing amount should not exceed 100% of the latest financial statements of lender, including Bigshine (HK) 、 Greendale 、 Lead Bright (HK) 、 Young Green Energy 、 Bigshine 、 Dynamic Time 、 Modern Smart 、

Investdragon(HK) 、 Venture Orient 、 Wisdom Success (HK) 、 Great Pride 、 Nano Precision 、 Masterview. The above restriction only applies to the need for short-term financing.

Note c :The latest financial statements were recognized based on the audited financial statements.

ATTACHMENT 1-2 (Endorsement/Guarantee provided to others for the nine months ended September 30, 2018)
(The certain information is based on the unreviewed financial statements)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsor/Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of Endorsement/ Guarantee collateralized by	Percentage of accumulated guarantee amount to net worth from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Company Name	Relationship										
1	Coretronic (Suzhou)	Coretronic Display (Suzhou)	Associate	\$ 1,852,948 (Note a)	\$ 295,126	\$ 281,500	\$ 22,864	-	7.60%	\$ 3,705,896 (Note a)	No	No	Yes
2	Optoma Corporation	Optoma USA	Associate	656,710 (Note a)	33,506	-	-	-	0.00%	1,313,419 (Note a)	No	No	No
	Total				<u>\$ 328,632</u>	<u>\$ 281,500</u>							

Note a : Based on the procedures of endorsement/guarantee provided to others, the amount of endorsements/guarantees for any single entity shall not exceed 50% of the Company's net worth from the latest financial statement.
Based on the procedures of endorsement/guarantee provided to others, the total amount of endorsements/guarantees shall not exceed 100% of the Company's net worth from the latest financial statement.

ATTACHMENT 1-3(Financing provided to others for the nine months ended September 30, 2018)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Coretronic Corporation	Calibre UK Ltd.	Accounts receivables - related parties	Yes	\$ 6,195	\$ -	\$ -	-	The need for short-term financing	-	Business turnover	-	None	-	\$ 8,539,512 (Note)	\$ 8,539,512 (Note)

Note : The above restriction applies to Coretronic corporation with the need for short-term financing.Limit of total financing amount for individual counter-party should not exceed 40% of lender's net worth from the latest financial statement, and limit of financing amount should not exceed 50% of the latest financial statements of lender.

ATTACHMENT 2 (Securities held as of September 30, 2018)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2018				Note
				Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value (Note a)	
Coretronic Corporation	Maxima Venture I, Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	29,400	\$ 764	5.26%	\$ 764	
Coretronic Corporation	Nightingale Intelligent Systems, Inc.	-	Financial assets at fair value through profit or loss-noncurrent	697,034	18,511	3.98%	18,511	

Note a : The Group measured the fair value of investments in accordance with IFRS9.

ATTACHMENT 2-1 (Securities held as of September 30, 2018)(The certain information is based on the unreviewed financial statements)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2018				Note
				Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value (Note a)	
Chung Tsen Investment	Shieh Yong Investment	-	Financial assets at fair value through other comprehensive income-noncurrent	34,107,900	\$ 343,791	4.47%	\$ 343,791	
Venture Orient	Unitech Capital	-	Financial assets at fair value through other comprehensive income-noncurrent	2,500,000	USD 2,543,750	5.00%	USD 2,543,750	
Optoma Corporation	LIULIGONGFANG	-	Financial assets at fair value through other comprehensive income-noncurrent	242,094	3,573	4.09%	3,573	
	Excel Global	-	Financial assets at fair value through other comprehensive income-noncurrent	812,506	24,554	19.90%	24,554	
Coretronic Venture Capital	GeneJet Biotech	-	Investments accounted for using the equity method- noncurrent	1,575,000	- (Note b)	19.51%	(Note c)	
Young Lighting Technology	GLO AB	-	Financial assets at fair value through profit or loss-noncurrent	50,000	3,029	0.24%	3,029	

Note a : The Group measured the fair value of investments in accordance with IFRS9.

Note b : The impairment loss was recognized as the difference between the recoverable amount of the security and its carrying value.

Note c : The shares are not traded in the open market, and there is no fair value.

ATTACHMENT 3 (Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the nine months ended September 30, 2018)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Counter-partyItem	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Coretronic Corporation	Optoma Corporation	Subsidiary	Sales	\$ 4,307,919	31.13%	120 days	-	-	\$ 2,252,703	31.84%	

ATTACHMENT 3-1 (Receivables from related parties with amounts exceeding the lower of NTS\$100 million or 20 percent of capital stock for the nine months ended September 30, 2018)
(The certain information is based on the unreviewed financial statements)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Counter-partyItem	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Young Optics	Grace China	Associate	Sales	\$ 439,755	9.78%	60 days	-	-	\$ 223,658	19.89 %	
Young Optics	Grace China	Associate	Purchases	2,568,145	77.44%	60 days	-	-	(837,931)	(70.93%)	
Young Optics	Aptek Optical	Subsidiary	Sales	354,070	7.88%	60 days	-	-	143,076	12.72 %	
Young Optics (Kunshan)	Coretronic Optics (Kunshan)	Associate	Sales	459,421	14.82 %	90 days	-	-	182,233	15.37 %	
Young Optics (Kunshan)	Grace China	Associate	Sales	2,398,081	77.37 %	60 days	-	-	875,345	73.84 %	
Young Optics (Kunshan)	Grace China	Associate	Purchases	464,376	17.65 %	60 days	-	-	(186,666)	(25.89%)	
Young Optics (Kunshan)	Young Optics (Suzhou)	Associate	Sales	211,279	6.86 %	60 days	-	-	119,571	10.09 %	
Young Optics(BD)	Grace China	Associate	Sales	283,245	100.00 %	60 days	-	-	119,268	100.00 %	
Young Optics(BD)	Grace China	Associate	Purchases	176,839	87.42 %	60 days	-	-	(421,899)	(100.00%)	
Optoma Corporation	Optoma Europe	Associate	Sales	2,763,112	56.30%	90 days	-	-	676,067	37.03 %	
Optoma Corporation	Optoma USA	Associate	Sales	1,342,428	27.35%	120 days	-	-	942,673	51.63 %	
Optoma China	Coretronic Projection (Kunshan)	Associate	Purchases	1,033,058	89.72%	90 days	-	-	(753,111)	(93.39%)	
Young Lighting Technology	YLG Optotech	Associate	Purchases	431,493	18.50%	60 days	-	-	-	-	
Young Lighting Technology	Coretronic Display (Suzhou)	Associate	Purchases	1,609,779	69.02%	60 days	-	-	-	-	
Nano Precision (Suzhou)	Coretronic (Suzhou)	Associate	Sales	302,567	25.48%	60 days	-	-	103,765	18.59 %	
Nano Precision (Suzhou)	Great Pride (HK)	Associate	Sales	244,925	20.63%	60 days	-	-	131,736	23.60 %	
YLG Optotech	Champ Vision Display	Associate	Sales	131,928	12.13%	60 days	-	-	33,805	14.48%	
Coretronic Projection	Champ Vision Display	Associate	Sales	1,020,034	6.96%	60 days	-	-	311,697	6.57%	
Coretronic Projection	Coretronic Optics (Kunshan)	Associate	Sales	738,703	5.04%	60 days	-	-	228,133	4.81%	
Coretronic Display (Suzhou)	YLG Optotech	Associate	Sales	159,701	4.08%	60 days	-	-	45,554	6.19%	
Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	Associate	Sales	8,207,720	99.97%	60 days	-	-	2,210,259	99.96%	

ATTACHMENT 4 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of September 30, 2018)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Counter-party	Relationship	Accounts receivables - related parties Balance	Turnover rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for doubtful accounts
					Amount	Collection status		
Accounts receivable : Coretronic Corporation	Optoma Corporation	Subsidiary	\$ 2,252,703	2.63	\$ -	-	\$ -	\$ -

ATTACHMENT 4-1 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of September 30, 2018)

(The certain information is based on the unreviewed financial statements)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Counter-party	Relationship	Ending Balance	Turnover rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for doubtful accounts
					Amount	Collection status		
Accounts receivable :								
Optoma Corporation	Optoma USA	Associate	\$ 942,673	1.87	\$ -	-	\$ -	\$ -
Optoma Corporation	Optoma Europe	Associate	676,067	4.50	-	-	-	-
Young Optics	Grace China	Associate	223,658	3.05	-	-	-	-
Young Optics	Aptek Optical	Subsidiary	143,076	3.57	-	-	-	-
Young Optics (Kunshan)	Coretronic Optics (Kunshan)	Associate	182,233	3.75	-	-	-	-
Young Optics (Kunshan)	Grace China	Associate	875,345	4.28	-	-	-	-
Young Optics (Kunshan)	Young Optics (Suzhou)	Associate	119,571	2.16	-	-	-	-
Grace China	Young Optics	Associate	837,931	4.68	-	-	-	-
Grace China	Young Optics (Kunshan)	Associate	186,666	3.82	-	-	-	-
Grace China	Young Optics (BD)	Associate	367,499	0.75	-	-	-	-
Young Optics (BD)	Grace China	Associate	119,268	3.75	-	-	-	-
Nano Precision (Suzhou)	Coretronic (Suzhou)	Associate	103,765	4.23	-	-	-	-
Nano Precision (Suzhou)	Great Pride (HK)	Associate	131,736	2.60	-	-	-	-
Coretronic Projection (Kunshan)	Champ Vision Display	Associate	311,697	7.37	-	-	-	-
Coretronic Projection (Kunshan)	Optoma China	Associate	753,111	2.65	-	-	-	-
Coretronic Projection (Kunshan)	Coretronic Optics (Kunshan)	Associate	228,133	2.72	-	-	-	-
Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	Associate	2,210,259	5.51	-	-	-	-
Other receivables :								
Young Optics	Grace China	Associate	158,789	-	-	-	-	-
Grace China	Young Optics (BD)	Associate	149,308	-	-	-	-	-

ATTACHMENT 5 (Significant intercompany transactions between consolidated entities)

(Amounts in thousand; Currency denomination in NTD or in foreign currencies)

No. (Note a)	Related party	Counter-party	Relationship with Coretronic Corporation (Note b)	Transactions			
				Accounts	Amount	Collection periods (Note c)	Percentage of consolidated operating revenues or consolidated total assets (Note d)
0	Coretronic Corporation	Optoma Corporation	1	Accounts receivables	2,252,703	—	4.51%
			1	Sales	4,307,919	—	10.44%
		Optoma Europe	1	Sales	32,008	—	0.08%
		Coretronic (Suzhou)	1	Accounts receivables	1,124,754	—	2.25%
			1	Sales	1,296,504	—	3.14%
		Nano Precision (Suzhou)	1	Accounts receivables	71,036	—	0.14%
			1	Sales	224,293	—	0.54%
		Greendale	1	Accounts receivables	2,324,007	—	4.65%
			1	Sales	5,958,774	—	14.44%
		Coretronic Projection (Kunshan)	1	Accounts receivables	37,150	—	0.07%
			1	Sales	73,030	—	0.18%
		Coretronic (Ningbo)	1	Sales	42,103	—	0.10%
		Wisdom Success (HK)	1	Sales	105,513	—	0.26%
		YLG Optotech	1	Accounts receivables	34,686	—	0.07%
			1	Sales	68,774	—	0.17%
		Coretronic Display (Suzhou)	1	Accounts receivables	210,032	—	0.42%
			1	Sales	292,313	—	0.71%
		Coretronic Optotech (Suzhou)	1	Accounts receivables	1,451,471	—	2.90%
1	Sales		5,122,538	—	12.42%		
1	Optoma Corporation	Optoma Technology	3	Accounts receivables	942,673	—	1.89%
			3	Sales	1,342,428	—	3.25%
		Optoma Europe	3	Accounts receivables	676,067	—	1.35%
			3	Sales	2,763,112	—	6.70%
2	Young Optics	Grace China	3	Other receivables	158,789	—	0.32%
			3	Accounts receivables	223,658	—	0.45%
			3	Sales	439,755	—	1.07%
		Aptek Optical	3	Accounts receivables	143,076	—	0.29%
			3	Sales	354,070	—	0.86%
			3	Grace China	Young Optics	3	Accounts receivables
3	Sales	2,568,145				—	6.12%
Young Optics (Kunshan)	3	Accounts receivables			186,666	—	0.37%
	3	Sales			464,376	—	1.13%
Young Optics (BD)	3	Other receivables			149,308	—	0.30%
	3	Accounts receivables			367,499	—	0.74%
4	Young Optics(Kunshan)	Grace China	3	Sales	176,891	—	0.43%
			3	Accounts receivables	875,345	—	1.75%

No. (Note a)	Related party	Counter-party	Relationship with Coretronic Corporation (Note b)	Transactions			
				Accounts	Amount	Collection periods (Note c)	Percentage of consolidated operating revenues or consolidated total assets (Note d)
4	Young Optics(Kunshan)	Grace China	3	Sales	2,398,081	—	5.81%
		Young Optics (SuZhou)	3	Accounts receivables	119,571	—	0.24%
			3	Sales	211,279	—	0.51%
		Coretronic Optics (Kunshan)	3	Accounts receivables	182,233	—	0.36%
			3	Sales	459,421	—	1.11%
5	Dynamic Time	Optoma Corporation	3	Other receivables	518,925	—	1.04%
		Optoma Technology	3	Other receivables	168,923	—	0.34%
6	Wisdom Success	Coretronic (Suzhou)	3	Accounts receivables	1,288,499	—	2.58%
			3	Sales	3,351,397	—	8.12%
7	Coretronic(Suzhou)	Coretronic Corporation	2	Accounts receivables	601,682	—	1.20%
			2	Sales	99,252	—	0.24%
		Wisdom Success	3	Accounts receivables	2,029,802	—	4.06%
			3	Sales	1,752,047	—	4.25%
		Coretronic System Engineering (Shanghai)	3	Other receivables	35,507	—	0.07%
			3	Other receivables	288,476	—	0.58%
		Coretronic Display (Suzhou)	3	Sales	37,857	—	0.09%
8	Vimax(Kunshan)	Coretronic Projection (Kunshan)	3	Sales	36,952	—	0.09%
9	Venture Orient	Coretronic Corporation	2	Other receivables	67,155	—	0.13%
10	Masterview	Young Optics (BD)	3	Other receivables	122,619	—	0.25%
11	Young Optics (SuZhou)	Grace China	3	Sales	53,763	—	0.13%
12	Great Pride	Coretronic Corporation	2	Other receivables	33,578	—	0.07%
13	Nano Precision (Suzhou)	Coretronic Corporation	2	Sales	46,065	—	0.11%
		Coretronic (Suzhou)	3	Accounts receivables	103,765	—	0.21%
			3	Sales	302,567	—	0.73%
		Great Pride (HK)	3	Accounts receivables	131,736	—	0.26%
			3	Sales	244,925	—	0.59%
		Coretronic Display (Suzhou)	3	Sales	64,107	—	0.16%
		Coretronic Optotech (Suzhou)	3	Accounts receivables	48,202	—	0.10%
			3	Sales	96,867	—	0.23%
14	Young Lighting Technology	Coretronic Corporation	2	Sales	38,901	—	0.09%
		Coretronic Projection (Kunshan)	3	Sales	317,451	—	0.77%
		YLG Optotech	3	Sales	286,005	—	0.69%
		Coretronic Display (Suzhou)	3	Sales	568,016	—	1.38%
		Champ Vision Display	3	Sales	94,738	—	0.23%

No. (Note a)	Related party	Counter-party	Relationship with Coretronic Corporation (Note b)	Transactions			
				Accounts	Amount	Collection periods (Note c)	Percentage of consolidated operating revenues or consolidated total assets (Note d)
15	Bigshine	Coretronic Corporation	2	Other receivables	45,788	—	0.09%
16	Greendale	Coretronic Corporation	2	Other receivables	2,772,589	—	5.55%
		Coretronic Optics (Kunshan)	3	Other receivables	2,297,426	—	4.60%
17	Coretronic Projection (Kunshan)	Optoma China	3	Accounts receivables	753,111	—	1.51%
			3	Sales	1,032,676	—	2.50%
		Vimax(Kunshan)	3	Sales	60,138	—	0.15%
		Young Lighting Technology	3	Sales	38,397	—	0.09%
		Greendale	3	Accounts receivables	2,322,624	—	4.65%
			3	Sales	8,371,533	—	20.29%
		Young Green Energy	3	Sales	31,874	—	0.08%
		Coretronic Intelligent Cloud Service Corporation	3	Sales	46,175	—	0.11%
		Champ Vision Display	3	Accounts receivables	311,697	—	0.62%
			3	Sales	1,020,034	—	2.47%
		Coretronic Optics (Kunshan)	3	Accounts receivables	228,133	—	0.46%
			3	Sales	738,703	—	1.79%
18	Young Green Energy	Calibre	3	Other receivables	41,441	—	0.08%
19	Boom Power Electronics (Su Zhou)	Coretronic Projection (Kunshan)	3	Sales	60,149	—	0.15%
20	Coretronic (Ningbo)	Lead Bright (HK)	3	Accounts receivables	218,715	—	0.44%
			3	Sales	654,794	—	1.59%
		YLG Optotech	3	Other receivables	183,568	—	0.37%
		Coretronic Display (Suzhou)	3	Other receivables	1,068,245	—	2.14%
21	Nano Display (SuZhou)	Coretronic (Suzhou)	3	Sales	48,672	—	0.12%
		Coretronic Display (Suzhou)	3	Sales	31,258	—	0.08%
22	Nano Precision	Coretronic Corporation	2	Other receivables	61,050	—	0.12%
23	Wisdom Success (HK)	Coretronic Corporation	2	Other receivables	42,735	—	0.09%
		Coretronic (Suzhou)	3	Sales	105,530	—	0.26%
24	Bigshine (HK)	Coretronic Corporation	2	Other receivables	152,625	—	0.31%
		Core-Flex	3	Other receivables	130,800	—	0.26%
25	Investdragon (HK)	Coretronic Corporation	2	Other receivables	44,261	—	0.09%
26	Lead Bright (HK)	Coretronic Corporation	2	Other receivables	149,692	—	0.30%
27	YLG Optotech	Coretronic Corporation	2	Accounts receivables	188,358	—	0.38%
			2	Sales	205,464	—	0.50%
		Young Lighting Technology	3	Sales	687,600	—	1.67%

No. (Note a)	Related party	Counter-party	Relationship with Coretronic Corporation (Note b)	Transactions			
				Accounts	Amount	Collection periods (Note c)	Percentage of consolidated operating revenues or consolidated total assets (Note d)
27	YLG Optotech	Coretronic Display (Suzhou)	3	Sales	38,569	—	0.09%
		Champ Vision Display	3	Accounts receivables	33,805	—	0.07%
			3	Sales	131,928	—	0.32%
28	Young Optics (BD)	Grace China	3	Accounts receivables	119,268	—	0.24%
			3	Sales	283,245	—	0.69%
			3	Sales	283,245	—	0.69%
29	Coretronic Display (Suzhou)	Coretronic Corporation	2	Accounts receivables	192,353	—	0.38%
			2	Sales	215,346	—	0.52%
		Nano Precision (Suzhou)	3	Sales	47,738	—	0.12%
		Young Lighting Technology	3	Sales	2,165,930	—	5.25%
		YLG Optotech	3	Accounts receivables	45,554	—	0.11%
			3	Sales	159,701	—	0.39%
		Champ Vision Display	3	Sales	76,048	—	0.18%
30	Coretronic Optotech (Suzhou)	Coretronic Corporation	2	Accounts receivables	2,258,730	—	4.52%
			2	Sales	1,697,864	—	4.12%
31	Champ Vision Display	Coretronic Projection (Kunshan)	3	Accounts receivables	123,201	—	0.25%
			3	Sales	184,552	—	0.45%
		YLG Optotech	3	Accounts receivables	31,825	—	0.06%
			3	Sales	32,131	—	0.08%
			3	Sales	32,131	—	0.08%
32	Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	3	Accounts receivables	2,210,259	—	4.42%
			3	Sales	8,207,720	—	19.89%

Note 1: Coretronic Corporation and its subsidiaries are coded as follows:

1. Coretronic Corporation is coded "0"
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. The subsidiary to holding company.
3. Subsidiaries to subsidiaries.

Note 3: In principle, the received/payment terms were month-end 90 days or 30-150 days.

Note 4: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

ATTACHMENT 6 : (Names, locations and related information of investee companies as of September 30, 2018) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main business activities	Initial Investment		Investment as of September 30, 2018			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Coretronic Corporation	Coretronic (BVI) Investment Corp.	B.V.I.	Holding company	\$1,566,475	\$1,566,475	47,220,000	100.00%	\$5,086,509	\$328,577	\$328,577	Subsidiary
Coretronic Corporation	Optoma Corporation	New Taipei City, Taiwan	Engaged in the production and marketing of data storage and processing equipment, electronic components, optical devices, wireless communications equipment and electronic	518,465	448,548	58,462,000	100.00%	861,452	164,894	153,956	Subsidiary
Coretronic Corporation	Young Optics Inc	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics	574,925	583,798	43,092,586	37.78%	1,322,172	172,698	65,758	Subsidiary
Coretronic Corporation	Visicorp Limited	B.V.I.	Holding company	614,303	614,303	18,700	100.00%	10,794,162	689,705	689,705	Subsidiary
Coretronic Corporation	Sinolink Global Limited	B.V.I.	Holding company	34,100	34,100	980	100.00%	1,203,534	45,235	45,235	Subsidiary
Coretronic Corporation	Chung Tsen Investment Corp.	Miaoli County, Taiwan	Investing company for strategic purposes	692,696	692,696	127,099,664	100.00%	1,492,410	34,300	34,300	Subsidiary
Coretronic Corporation	Tecpoint Limited	B.V.I.	Holding company	1,156,668	1,156,668	36,522,900	78.06%	2,675,562	269,061	210,031	Subsidiary
Coretronic Corporation	Young Green Energy Co., LTD	Hsinchu County, Taiwan	Engaged in the production, wholesale and retail trade of electronic components, battery, computer and its peripheral devices, and electronic material	214,620	214,620	18,833,220	99.91%	223,186	14,268	14,256	Subsidiary
Coretronic Corporation	Young Lighting Technology Inc.	Hsinchu City, Taiwan	Engaged in the design, production and marketing of general lighting application, electronic components and optical devices	201,617	201,617	43,172,191	100.00%	1,035,630	184,704	184,704	Subsidiary
Coretronic Corporation	Coretronic Intelligent Cloud Service Corp.	Hsinchu County, Taiwan	Engaged in intelligent cloud, IT information, intelligent applications and platform development related business of new media.	254,990	254,990	15,000,000	100.00%	150,584	4,917	4,917	Subsidiary
Coretronic Corporation	Coretronic Venture Capital Corp.	Miaoli County, Taiwan	The investment activities of company's business expansion	300,000	300,000	30,000,000	100.00%	301,195	1,958	1,958	Subsidiary
Coretronic Corporation	Champ Vision Display Inc.	Hsinchu City, Taiwan	Engaged in R&D, design, production and marketing of innovative intelligent display products and system integration solution.	144,000	144,000	14,400,000	80.00%	126,687	1,293	1,034	Subsidiary
Coretronic Corporation	uCare Medical Electronics Co., Ltd.	Hsinchu City, Taiwan	Engaged in the R&D, design, production and marketing of intelligent movement and medical care related software and hardware products.	80,000	80,000	8,000,000	80.00%	56,471	(20,484)	(16,387)	Subsidiary
Coretronic Corporation	Calibre UK Limited	UK	Engaged in R&D, design, production and marketing of image processing products.	44,088	44,088	101,042	100.00%	(5,744)	(28,751)	(28,751)	Subsidiary
Coretronic Corporation	Coretronic Intelligent Robotics Corporation	Hsinchu County, Taiwan	Engaged in R&D, production and marketing of unmanned aerial vehicle and intelligent robotics.	60,000	60,000	6,000,000	100.00%	39,524	(20,464)	(20,464)	Subsidiary
Coretronic Corporation	InnoSpectra Corporation	Hsinchu County, Taiwan	Engaged in R&D and marketing of near-infrared spectrum and corresponding solutions	48,000	48,000	4,800,000	80.00%	37,081	(13,634)	(10,907)	Subsidiary

ATTACHMENT 6 -1 : (Names, locations and related information of investee companies as of September 30, 2018) (Not including investment in Mainland China)
(The certain information is based on the unreviewed financial statement)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main business activities	Initial Investment		Investment as of September 30, 2018			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Coretronic BVI	Greendale	Samoa	Holding company	USD 46,400,000	USD 46,400,000	46,400	100.00 %	USD 167,042,880	USD 10,875,061	(Note a)	Associate
Visicorp	Wisdom Success	Cayman Islands	Holding company	USD 11,750,000	USD 1,175,000	11,750	100.00 %	USD 284,028,104	USD 21,098,005	(Note a)	Associate
Visicorp	Bigshine	Samoa	Holding company	USD 3,000,000	USD 3,000,000	3,000	100.00 %	USD 11,117,177	(USD 514,002)	(Note a)	Associate
Visicorp	Investdragon	Samoa	Holding company	USD 3,000,000	USD 3,000,000	3,000	100.00 %	USD 2,351,839	(USD 2,548)	(Note a)	Associate
Visicorp	Lead Bright	Samoa	Holding company	USD 4,700,000	USD 4,700,000	4,700	100.00 %	USD 28,829,446	USD 499,149	(Note a)	Associate
Visicorp	Elite View	Samoa	Holding company	USD 5,000,400	USD 5,000,400	5,000	100.00 %	USD 13,694,708	USD 746,823	(Note a)	Associate
Visicorp	Tecpoint	B.V.I.	Holding company	USD 5,665,000	USD 5,665,000	5,665,000	12.11 %	USD 13,595,424	USD 8,948,877	(Note a)	Associate
Wisdom Success	Wisdom Success (HK)	HK	Holding company	USD 18,000,000	USD 18,000,000	18,000	100.00 %	USD 163,833,508	USD 18,678,181	(Note a)	Associate
Wisdom Success	Lead Bright (HK)	HK	Holding company	USD 13,300,000	USD 13,300,000	13,300	73.89 %	USD 81,585,749	USD 1,911,718	(Note a)	Associate
Wisdom Success	Investdragon (HK)	HK	Holding company	USD 2,000,000	USD 2,000,000	2,000	40.00 %	USD 1,563,345	(USD 4,272)	(Note a)	Associate
Wisdom Success	Elite View (HK)	HK	Holding company	USD 7,999,600	USD 7,999,600	8,000	61.54 %	USD 21,912,804	USD 1,941,816	(Note a)	Associate
Wisdom Success	Bigshine (HK)	HK	Holding company	USD 5,000,000	USD 5,000,000	5,000	62.50 %	USD 14,139,179	(USD 311,276)	(Note a)	Associate
Bigshine	Bigshine (HK)	HK	Holding company	USD 3,000,000	USD 3,000,000	3,000	37.50 %	USD 8,483,507	(USD 311,276)	(Note a)	Associate
Investdragon	Investdragon (HK)	HK	Holding company	USD 3,000,000	USD 3,000,000	3,000	60.00 %	USD 2,345,018	(USD 4,272)	(Note a)	Associate
Lead Bright	Lead Bright (HK)	HK	Holding company	USD 4,700,000	USD 4,700,000	4,700	26.11 %	USD 28,829,394	USD 1,911,718	(Note a)	Associate
Elite View	Elite View (HK)	HK	Holding company	USD 5,000,400	USD 5,000,400	5,000	38.46 %	USD 13,694,612	USD 1,941,816	(Note a)	Associate
Sinolink	Mat Limited	Samoa	Holding company	USD 980,000	USD 980,000	980	100.00 %	USD 39,427,406	USD 1,511,319	(Note a)	Associate
Tecpoint	Great Pride	Samoa	Holding company	USD 11,800,000	USD 11,800,000	11,800,000	100.00 %	USD 80,422,742	USD 7,629,619	(Note a)	Associate
Tecpoint	Core-Flex	Cayman Islands	Holding company	USD 23,260,000	USD 23,260,000	213,260,000	94.36 %	USD 6,927,886	USD 455,749	(Note a)	Associate
Tecpoint	Nano Precision	HK	Holding company	USD 6,800,000	USD 6,800,000	6,800,000	100.00 %	USD 8,870,956	USD 2,756	(Note a)	Associate
Tecpoint	Nano Display	HK	Holding company	USD 7,800,000	USD 7,800,000	7,800,000	100.00 %	USD 14,370,086	USD 884,067	(Note a)	Associate
Great Pride	Great Pride (HK)	HK	Holding company	USD 11,800,000	USD 11,800,000	11,800	100.00 %	USD 79,284,480	USD 7,612,418	(Note a)	Associate

Note a : The share of profit/loss of associates were recognized by the holding company.

ATTACHMENT 6-2 : (Names, locations and related information of investee companies as of September 30, 2018) (Not including investment in Mainland China)
(The certain information is based on the unreviewed financial statement)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main business activities	Initial Investment		Investment as of September 30, 2018			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Chung Tsen Investment Corp.	Venture Orient	Samoa	Holding company	USD 5,550,000	USD 5,550,000	5,550	100.00 %	484,392	27,206	(Note a)	Associate
Chung Tsen Investment Corp.	Young Optics	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics	62,003	70,815	4,538,317	3.98 %	139,245	172,698	(Note a)	Subsidiary
Chung Tsen Investment Corp.	Tsen Ming Investment	Miaoli County, Taiwan	Investing company for strategic purposes	102,000	102,000	32,443,180	100.00 %	372,766	2,711	(Note a)	Associate
Chung Tsen Investment Corp.	Core-Flex	Cayman Islands	Holding company	USD 3,130,000	USD 3,130,000	3,130,000	1.39 %	3,226	13,655	(Note a)	Associate
Venture Orient	Tecpoint	B.V.I.	Holding company	USD 4,600,000	USD 4,600,000	4,600,000	9.83 %	USD 11,039,559	USD 8,948,877	(Note a)	Subsidiary
Tsen Ming Investment	Young Optics	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics	51,274	63,769	2,728,886	2.39 %	85,252	172,698	(Note a)	Subsidiary
Tsen Ming Investment	Core-Flex	Cayman Islands	Holding company	USD 1,718,289	USD 1,718,289	8,170,000	3.61 %	14,365	13,655	(Note a)	Associate
Young Green Energy	Boom Power	B.V.I.	Holding company	USD 1,000,000	USD 1,000,000	10,000	100.00 %	95,605	USD 457,514	(Note a)	Associate
Young Optics	Masterview	B.V.I.	Holding company	USD 6,000,000	USD 6,000,000	6,000,000	100.00 %	2,055,016	33,090	(Note a)	Associate
Young Optics	Young Optics Inc.	USA	Operating maintenance services business	USD 50,000	USD 50,000	50,000	100.00 %	252	(87)	(Note a)	Associate
Young Optics	Aptek Optical	Hsinchu County, Taiwan	Manufacturing and selling of optics instruments and electronic components	298,140	298,140	9,250,000	92.50 %	76,268	2,206	(Note a)	Associate
Young Optics	Mejiro Genossen Inc.	Japan	Researching, developing, manufacturing and selling of optics machines	JPY 161,200,908	JPY 96,850,908	4,950	99.00 %	43,796	6,845	(Note a)	Associate
Masterview	Best Alpha	Samoa	Holding company	USD 1,000,000	USD 1,000,000	1,000,000	100.00 %	USD 27,671,530	USD 1,262,056	(Note a)	Associate
Masterview	Grace China	Cayman Islands	Holding company	USD 8,156,458	USD 8,156,458	8,156,458	100.00 %	USD 36,411,156	USD 697,467	(Note a)	Associate
Masterview	Young Optics (BD) LTD.	Bengal	Manufacturing of optics components	USD 1,000,000	USD 1,000,000	799,985	50.00 %	(USD 1,596,397)	(USD 1,372,463)	(Note a)	Associate
Masterview	Young Optics Europe GmbH	Germany	Manufacturing and selling of 3D printer	EUR 18,750	EUR 18,750	-	75.00 %	USD 135,193	USD 22,824	(Note a)	Associate
Grace China	Young Optics (BD) LTD.	Bengal	Manufacturing of optics components	USD 1,000,000	USD 1,000,000	799,985	50.00 %	(USD 1,596,397)	(USD 1,372,463)	(Note a)	Associate
Optoma Corporation	Dynamic Time	Cayman Islands	Holding company	USD 14,122,230	USD 14,122,230	14,856	100.00 %	1,867,347	USD 5,746,941	(Note a)	Associate

Note a : The share of profit/loss of associates were recognized by the holding company.

ATTACHMENT 6-3 (Names, locations and related information of investee companies as of September 30, 2018) (Not including investment in Mainland China)
(The certain information is based on the unreviewed financial statement)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main business activities	Initial Investment		Investment as of September 30, 2018			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Dynamic Time	Optoma Europe	U.K.	Marketing and after sales service of Optoma in European region	USD 2,451,350	USD 2,451,350	1,200,000	100.00 %	USD 30,937,380	GBP 5,728,163	(Note a)	Associate
Dynamic Time	Optoma USA	USA	Marketing and after sales service of Optoma in Americas region	USD 8,821,889	USD 8,821,889	825,000	100.00 %	USD 3,383,291	(USD 1,857,943)	(Note a)	Associate
Dynamic Time	Modern Smart	B.V.I.	Holding company	USD 1,200,000	USD 1,200,000	1,200,000	100.00 %	USD 4,148,878	(USD 12,024)	(Note a)	Associate
Dynamic Time	Optoma (China&HK) Ltd.	HK	Marketing and after sales service of Optoma in Hong Kong and the Asia-Pacific region	USD 309,546	USD 309,546	2,400,000	100.00 %	USD 299,734	(HKD 559,484)	(Note a)	Associate
Optoma Europe	Optoma Deutschland GmbH	Germany	Marketing and after sales service of Optoma in European region	EUR 958,000	EUR 958,000	-	100.00 %	GBP 2,086,920	EUR 1,277,142	(Note a)	Associate
Optoma Europe	Optoma France	France	Marketing and after sales service of Optoma in European region	GBP 67,376	GBP 67,376	-	100.00 %	GBP 328,556	EUR 158,089	(Note a)	Associate
Optoma Europe	Optoma Scandinavia. A.S.	Norway	Marketing and after sales service of Optoma in European region	GBP 8,260	GBP 8,260	100	100.00 %	GBP 177,927	(NOK 52,562)	(Note a)	Associate
Optoma Europe	Optoma Espana, S.L.	Spain	Marketing and after sales service of Optoma in European region	EUR 103,006	EUR 103,006	5,150,280	100.00 %	GBP 371,374	EUR 42,046	(Note a)	Associate
Optoma Europe	Optoma Benelux B.V.	Netherlands	Marketing and after sales service of Optoma in European region	EUR 18,000	EUR 18,000	18,000	100.00 %	GBP 197,388	(EUR 92,932)	(Note a)	Associate
Young Lighting Technology	Young Lighting Limited	Samoa	Holding company	118,134	118,134	3,907,000	100.00 %	(322,671)	132,329	(Note a)	Associate
Young Lighting Limited	Young Lighting (HK)	HK	Holding company	USD 847,000	USD 847,000	847	100.00 %	USD 232,833	USD 3,518	(Note a)	Associate
Young Lighting Limited	YLG Limited	Samoa	Holding company	USD 3,060,000	USD 3,060,000	3,060,000	51.00 %	USD 104,128	USD 25,229	(Note a)	Associate
Young Lighting Limited	Brightbridge	Samoa	Holding company	USD 1	USD 1	29,500,000	100.00 %	(USD 6,252,250)	USD 2,499,028	(Note a)	Associate
Young Lighting Limited	Crystal Word	Samoa	Holding company	USD 1	USD 1	22,258,000	100.00 %	(USD 4,655,600)	USD 1,885,489	(Note a)	Associate
Coretronic Intelligent Cloud Service Corp.	Coretronic System Engineering Limited	Samoa	Holding company	USD 1,500,000	USD 1,500,000	1,500,000	100.00 %	(4,270)	USD 92,928	(Note a)	Associate
Coretronic System Engineering Limited	Coretronic System Engineering (HK)	HK	Holding company	USD 1,500,000	USD 1,500,000	1,500,000	100.00 %	(USD 139,894)	USD 92,928	(Note a)	Associate

Note a : The share of profit/loss of associates were recognized by the holding company.

ATTACHMENT 7 : (Investment in Mainland China as of September 30, 2018)
(The certain information is based on the unreviewed financial statements excluding Coretronic(Suzhou))
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Main business activities	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2018	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized	Carrying value as of September 30, 2018	Accumulated inward remittance of earnings as of September 30, 2018
					Outflow	Inflow						
Coretronic Projection (Kunshan)	Digital projectors, LCD monitors and related components of the research and development, processing, manufacturing and sales of the company's products and engaged in after-sales maintenance services	\$ 1,525,064 (USD46,000,000)	Indirect investment from the third region (Greendale)	\$ 1,525,064 (USD46,000,000)	\$ -	\$ -	\$ 1,525,064 (USD46,000,000)	\$ 323,588	100.00%	\$ 323,588	\$ 4,637,578	\$ -
Technology Service (Kunshan)	LCD monitor maintenance and technical services	13,259 (USD400,000)	Indirect investment from the third region (Greendale)	13,259 (USD400,000)	-	-	13,259 (USD400,000)	1,939	100.00%	1,939	21,451	-
Coretronic Optics (Kunshan)	Production and sales of projector module products and spectrometer	RMB10,000,000	Indirect investment from the Mainland China subsidiary (CPC)	-	-	-	-	69,561	100.00%	69,561	294,162	-
Vimax (Kunshan)	Design, research and development and production of projectors, sales of the company's own products and provide after sales maintenance services for self-produced and non-self-produced products	62,252 (USD1,800,000)	Indirect investment from the third region (Mat Limited)	62,252 (USD1,800,000)	-	-	62,252 (USD1,800,000)	49,994	100.00%	49,994	1,178,028	-
Coretronic (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	660,657 (USD20,000,000)	Indirect investment from the third region (Wisdom Success HK)	271,297 (USD8,000,000)	-	-	271,297 (USD8,000,000)	455,914	100.00%	455,914	3,858,532	-
Coretronic Optics (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	USD10,000,000	Indirect investment from the third region (Wisdom Success HK)	-	-	-	-	10,032	100.00%	10,032	299,660	-
Coretronic Optotech (Suzhou)	Research and development, manufacturing and processing optical components such as backlight module, LCD module, LCD TV and panel display. Sales of the company's own products and provide after-sales maintenance services	390,000 (USD 12,000,000)	Indirect investment from the third region (Wisdom Success HK)	-	-	-	-	98,319	100.00%	98,319	790,543	-
Coretronic (Shanghai)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	257,829 (USD8,000,000)	Indirect investment from the third region (Bigshine HK)	95,254 (USD3,000,000)	-	-	95,254 (USD3,000,000)	(11,988)	100.00%	(11,988)	316,086	-
Coretronic (Nanjing)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	160,883 (USD5,000,000)	Indirect investment from the third region (Investdragon HK)	96,263 (USD3,000,000)	-	-	96,263 (USD3,000,000)	4,595	100.00%	4,595	-	-
Coretronic Display (Suzhou)	Research and development, manufacturing panel modules and related components of the business, sales of the company's own products and	1,547,564 (USD51,758,000)	Indirect investment from the third region (Brightbridge and Crystal)	88,972 (USD2,967,283)	-	-	88,972 (USD2,967,283)	132,109	100.00%	132,109	(330,374)	-
Coretronic (Ningbo)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	650,050 (USD20,000,000)	Indirect investment from the third region (Lead Bright HK)	151,490 (USD4,700,000)	-	-	151,490 (USD4,700,000)	57,422	100.00%	57,422	3,220,747	-
Coretronic (Suzhou)	Research and development, processing, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	1,178,240 (USD36,000,000)	Indirect investment from the third region (Core-Flex)	759,827 (USD23,260,000)	-	-	759,827 (USD23,260,000)	14,280	100.00%	14,280	363,507	-
Nano Precision (Suzhou)	Manufacture and sales of acrylic panels and light guide plate	426,839 (USD13,300,000)	Indirect investment from the third region (Great Pride HK)	330,478 (USD10,392,880)	-	-	330,478 (USD10,392,880)	221,467	100.00%	221,467	2,211,242	-
Nano Display (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	92,088 (USD2,800,000)	Indirect investment from the third region (Great Pride HK)	-	-	-	-	7,280	100.00%	7,280	208,908	-
Coretronic (Guangzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	417,580 (USD13,000,000)	Indirect investment from the third region (Elite View HK)	29,020 (USD1,000,000)	-	-	29,020 (USD1,000,000)	59,139	100.00%	59,139	1,086,901	-
Nano Precision (Nanjing)	Manufacture and sales of acrylic panels and light guide plate	217,659 (USD6,800,000)	Indirect investment from the third region (Nano Precision)	119,025 (USD3,700,000)	-	-	119,025 (USD3,700,000)	7,058	100.00%	7,058	207,846	-
Nano Display (Guangzhou)	Research and development, processing, manufacture of liquid crystal display light guide plate, sales of the company's products and provide related services	238,740 (USD7,800,000)	Indirect investment from the third region (Nano Display)	9,820 (USD308,797)	-	-	9,820 (USD308,797)	26,760	100.00%	26,760	438,627	-
YLG Optotech	Research and development, processing, manufacturing display components, sales of the company's products and provide related services	USD 6,000,000	Indirect investment from the third region (YLG Limited)	USD 3,060,000	-	-	USD 3,060,000	243	51.00%	124	3,162	-
Coretronic System Engineering (Shanghai)系统工程	Contractor in intelligent building engineering and provide related services to customers	USD 1,500,000	Indirect investment from the third region (Coretronic System Engineering HK)	USD 1,500,000	-	-	USD 1,500,000	3,173	100.00%	3,173	(4,270)	-
Boom Power Electronics (Suzhou)	Research and development, production and sales of cold cathode tube drive and related products	USD 1,000,000	Indirect investment from the third region (Boom Power)	USD 1,000,000	-	-	USD 1,000,000	13,728	100.00%	13,728	95,585	-

Accumulated investment in Mainland China as of September 30, 2018 (Note a), (Note b)	Investment amounts authorized by Investment Commission, MOEA (Note b) (Note c)	Upper limit on investment
\$3,612,114 (USD110,418,960)	\$3,363,362 (USD 110,418,960)	\$12,865,142

Note a : To use historical currency rates.

Note b : The investment amounts in Flying Success and Coretronic (Nanjing) had been not remitted to Coretronic Corporation in the event of liquidation in December, 2012 and June, 2018, respectively. Related registration processes for Investment Commission, MOEA were not applicable.

Note c : To use the currency rate 1 USD =30.53 NTD as of September 30, 2018.

ATTACHMENT 7-1 (Investment in Mainland China as of September 30, 2018)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Main business activities	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2018	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized(Note a)	Carrying value as of September 30, 2018 (Note a)	Accumulated inward remittance of earnings as of September 30, 2018
					Outflow	Inflow						
Young Optics (Kunshan)	Researching and developing, manufacturing of optics engine and related optics electronic	\$727,119 (USD 22,200,000) (Note d , e)	Indirect investment from the third region (Best Alpha and Grace China)	\$164,450 (USD 5,000,000)	\$ -	\$ -	\$164,450 (USD 5,000,000)	\$55,745 (USD 1,836,675)	100.00%	\$55,745 (USD 1,836,675)	\$1,317,674 (USD 43,167,038)	\$74,505 (USD 2,457,289) (Note b and Note j~Note k)
Young Optics (Suzhou)	Researching and developing, manufacturing of optics engine and related optics electronic	33,951 (USD 1,000,000)	Indirect investment from the third region (Best Alpha)	33,951 (USD 1,000,000)	-	-	33,951 (USD 1,000,000)	24,150 (USD 811,171)	100.00%	24,150 (USD 811,171)	521,167 (USD 17,073,444)	1,127,708 (USD 24,763,701 and RMB 80,635,502) (Note b and Note f~Note i)

Accumulated investment in Mainland China as of September 30, 2018 (Note b)	Investment amounts authorized by Investment Commission, MOEA (Note b)	Upper limit on investment
\$198,401 (USD 6,000,000)	\$233,101 (USD 7,020,000)	Note c

Note a : The investments were fully consolidated in accordance with the Regulations.

Note b : To use historical currency rates.

Note c : As the Company has obtained the certificate of being qualified for operating headquarters issued by Industrial Development Bureau, MOEA in June 2018, the upper limit on investment in mainland China pursuant to "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

Note d : Young Optics (Kunshan) invested USD 9,800 thousand through capitalization of earnings in 2007. Best Alpha Investments Limited invested USD 2,300 thousand.

Note e : Young Optics (Kunshan) invested USD 1,300 thousand through capitalization of earnings in April 2009. Grace China Investments Limited invested USD 824,850. Best Alpha Investments Limited invested USD 2,975,150.

Note f : Best Alpha Investments Limited received cash dividends amounted to USD 20,235,299 for distribution profits from Young Optics (Suzhou) in 2011 and had remitted it back to Young Optics.

Note g : Best Alpha Investments Limited received cash dividends amounted to RMB 27,691,452 and USD 4,509,641 for distribution profits from Young Optics (Suzhou) in 2014. The RMB 24,922,307 of them had been remitted back to Young Optics.

Note h : Best Alpha Investments Limited received cash dividends amounted to RMB 52,944,050 for distribution profits from Young Optics (Suzhou) in 2015 and had remitted it back to Young Optics.

Note i : Best Alpha Investments Limited received cash dividends amounted to USD 4,528,402 for distribution profits from Young Optics (Suzhou) in 2017 and had remitted it back to Young Optics.

Note j : Best Alpha Investments Limited received cash dividends amounted to USD 603,264 for distribution profits from Young Optics (Kunshan) in 2017 and had remitted it back to Young Optics.

Note k : Grace China Investments Limited received cash dividends amounted to USD 1,854,025 for distribution profits from Young Optics (Kunshan) in 2017 and had remitted it back to Young Optics.

ATTACHMENT7-2(Investment in Mainland China as of September 30, 2018)

(The certain information is based on the unreviewed financial statement)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Main business activities	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2018	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized(Note a)	Carrying value as of September 30, 2018	Accumulated inward remittance of earnings as of September 30, 2018
					Outflow	Inflow						
Optoma China	Marketing and after-sales service of Optoma's technology products in Mainland China	\$ 38,412 (USD1,200,000)	Indirect investment from the third region (Modern Smart)	\$38,412 (USD1,200,000)	\$ -	\$ -	\$ 38,412 (USD1,200,000)	\$ (302) (RMB 91,131)	100.00%	\$ (302) (RMB 91,131)	\$ 84,451 RMB 19,032,167	\$ -

Accumulated investment in Mainland China as of September 30, 2018 (Note b)	Investment amounts authorized by Investment Commission, MOEA (Note b)	Upper limit on investment (Note c)
\$38,412 (USD1,200,000)	\$176,798 (USD5,900,000) (Note d)	\$516,871

Note a : The investment income (loss) were determined based on the following basis:

- (1).The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
- (2).The financial statements was certified by the CPA of the parent company in Taiwan.
- (3).Other: The financial statements were not audited by the CPA.

Note b : To use historical currency rates.

Note c : Based on Regulations Governing the Approval of Investment or Technical Cooperation in Mainland Chian promulgated by Investment Commission, MOEA.

Note d : LIULI and LIULI(HK) had disposed the shares of Tou Ming Si Kao (Shanghai) on March 21, 2011. The related registration processes were completed on September 13, 2011, and reported to Investment Commission, MOEA. The investment amounts have no change when the amounts had been not remitted to Optoma.

Note e : The investments were fully consolidated in accordance with the Regulations.

ATTACHMENT8 (Financial instrument and derivative transaction as of September 30, 2018)
(The certain information is based on the unreviewed financial statements)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investment company	Financial Statement Account	Financial Product	Type	Contract expiry date	Contract amount	Book value	Fair value	Note
Coretronic Corporation	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Buying USD	From Oct, 2018 to Jan, 2019	USD 317,500,000	\$ 10,099	\$ 10,099	Note a
Coretronic Corporation	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Selling USD	From Oct to Nov, 2018	USD 217,000,000	41,794	41,794	Note a
Coretronic Corporation	Hedging financial assets (liabilities)-current	Forward foreign exchange contract	Buying USD	Dec, 2018	USD 6,000,000	(1,694)	(1,694)	Note a
Coretronic Corporation	Hedging financial assets (liabilities)-current	Forward foreign exchange contract	Selling USD	Dec, 2018	USD 6,000,000	1,653	1,653	Note a
Coretronic (Suzhou)	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Buying USD	From Oct to Dec, 2018	USD 15,000,000	(2,931)	(2,931)	Note b
Coretronic (Suzhou)	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Selling USD	From Oct, 2018 to Jan, 2019	USD 53,000,000	(77,745)	(77,745)	Note b
Coretronic (Ningbo)	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Selling USD	From Oct to Nov, 2018	USD 7,000,000	(15,070)	(15,070)	Note c
Optoma Corporation	Financial assets at fair value through profit or loss-current	Forward cross currency contract	—	Nov, 2018	USD 3,000,000	79	79	Note d
Optoma Corporation	Financial liabilities at fair value through profit or loss-current	Forward cross currency contract	—	From Oct to Dec, 2018	USD 27,500,000	(3,982)	(3,982)	Note d
Optoma Europe	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Sell GBP/Buy USD	Nov, 2018	USD 8,000,000	1,393	1,393	Note e
Optoma Europe	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Buy GBP/Sell EUR	From Oct to Nov, 2018	EUR 9,500,000	2,819	2,819	Note e
Optoma Europe	Financial liabilities at fair value through profit or loss-current	Forward foreign exchange contract	Buy GBP/Sell EUR	Nov, 2018	EUR 2,000,000	(95)	(95)	Note e
Optoma Europe	Financial liabilities at fair value through profit or loss-current	Forward foreign exchange contract	Sell GBP/Buy USD	Oct, 2018	USD 12,500,000	(3,166)	(3,166)	Note e
Optoma USA	Financial liabilities at fair value through profit or loss-current	Forward foreign exchange contract	Sell CAD/Buy USD	From Oct to Dec, 2018	CAD 1,500,000	(479)	(479)	Note f
Dynamic Time	Hedging financial assets-current	Forward foreign exchange contract	Sell GBP/Buy USD	Oct, 2018	GBP 5,500,000	2,743	2,743	Note g

Note a : Coretronic Corporation entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$222,365 thousands for the nine months ended September 30, 2018.

Note b : Associate Coretronic (Suzhou) entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$20,390 thousands for the nine months ended September 30, 2018.

Note c : Associate Coretronic (Ningbo) entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$2,206 thousands for the nine months ended September 30, 2018.

Note d : Optoma Corporation entered into forward cross currency contracts and acquired realized profit amounted to NT\$41,156 thousands for the nine months ended September 30, 2018.

Note e : AssociateOptoma Europe entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$5,626 thousands for the nine months ended September 30, 2018.

Note f : AssociateOptoma USA entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$1,386 thousands for the nine months ended September 30, 2018.

Note g : AssociateDynamic Time entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$6,360 thousands for the nine months ended September 30, 2018.

ATTACHMENT 9 (Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine months ended September 30, 2018.)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Name of securities	Financial statement account	Counter-party	Relationship	Beginning balance		Addition		Disposal				September 30, 2018	
					Units / shares	Amount	Units / shares	Amount	Units / shares	Selling Price	Carrying amount	Gain (Loss) from disposal (Note)	Units / shares	Amount
Young Optics (Suzhou)	RMB Structured Deposit of Liduoduo	Financial assets measured at amortized cost-current	Shanghai Pudong Development Bank	-	-	-	-	RMB 150,000,000	-	-	RMB 150,000,000	RMB 1,535,032	-	-
Young Optics (Kunshan)	RMB Structured Deposit of Liduoduo	Financial assets measured at amortized cost-current	Shanghai Pudong Development Bank	-	-	-	-	RMB 100,000,000	-	-	RMB 100,000,000	RMB 1,016,735	-	-

Note : To be recognized in interest revenue.