

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH

REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017

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

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Independent Auditors' Report

To Coretronic Corporation

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

The Group recognized the allowance write-down of inventories amounted to NT\$608,995 thousand for the year ended December 31, 2018. Due to the rapid technological changes and innovation for projectors, backlight, and FPD-related products, management estimates the write-down of inventories. Considering the amount of inventories was significant and the assessment of the amount of inventories write-downs requires the management's important judgement, we determined this is a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around inventories; evaluating the methodologies and assumptions used, including the reasonableness of the allowance write-down of inventories; testing the source of the basic data, including the aging and net realizable value of inventories, and recalculating its correctness; evaluating the overall adequacy of the allowance write-down of inventories through analytical review procedures. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the Group's consolidated financial statements.

Maintenance warranties for products

The Group recognized the provision of maintenance warranties for products amounted to NT\$826,791 thousand for the year ended December 31, 2018, the provision was based on the experience of maintenance warranties for products, management judges and estimates the provision of maintenance warranties. Considering the assessment of the amount of the provision of maintenance warranties requires the management's important judgement, we determined this is a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around the provision ratio of maintenance warranties; evaluating the reasonableness of accounting policies on the provision of maintenance warranties; testing the selected samples for the provision of maintenance warranties and confirming that whether to comply with the accounting policies; testing the source of the basic data. We also assessed the adequacy of disclosures of the provision of maintenance warranties for products. Please refer to Notes 5 and 6 to the Group's consolidated financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiary whose statements are based solely on the reports of other auditors. Total assets of the consolidated subsidiary amounted to NT\$99,624 thousand and NT\$95,736 thousand, representing 0.21% and 0.18% of consolidated total assets as of December 31, 2018 and 2017 respectively; and total operating revenues amounted to NT\$33,596 thousand and NT\$14,497 thousand, representing 0.06% and 0.03% of the consolidated total operating revenues for the years ended December 31, 2018 and 2017, respectively. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT\$0 thousand, representing 0 % of consolidated total assets as of December 31, 2017. The related shares of loss from the associates and joint ventures under the equity method amounted to NT\$2,942 thousand, representing (0.13)% of the consolidated net income before tax for the years ended December 31, 2017.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

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

Hsu, Hsin-Min

Chen, Chih-Chung

Ernst & Young, Taiwan

January 28, 2019

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 December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Note	December 31, 2018	%	December 31, 2017	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$ 17,226,050	35.86	\$ 17,966,117	34.54
Financial assets at fair value through profit or loss-current	4, 6(2)	63,250	0.13	67,435	0.13
Hedging derivative financial assets-current	4, 6(3), 12	-	-	147,519	0.29
Hedging financial assets-current	4, 6(3), 12	11,613	0.03	-	-
Note receivables, net	4, 6(6)	256,793	0.53	131,232	0.25
Trade receivables, net	4, 6(7)	13,358,726	27.81	16,366,797	31.46
Trade receivables-related parties, net	4, 6(7), 7	1,912	-	1,374	-
Other receivables	4, 8	510,870	1.06	625,469	1.20
Current tax assets	4, 5, 6(25)	19,146	0.04	6,570	0.01
Inventories, net	4, 5, 6(8)	7,882,359	16.41	7,903,924	15.20
Prepayments		483,352	1.01	581,456	1.12
Other current assets		169,225	0.35	146,811	0.28
Total current assets		39,983,296	83.23	43,944,704	84.48
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	4, 6(2)	20,065	0.04	-	-
Financial assets at fair value through other comprehensive income-noncurrent	4, 6(4)	359,859	0.75	-	-
Financial assets measured at cost-noncurrent	4, 6(5)	-	-	315,029	0.61
Property, plant and equipment, net	4, 6(10)	6,551,312	13.64	6,760,253	13.00
Investment property, net	4, 5, 6(11)	176,459	0.37	184,511	0.34
Intangible assets	4, 6(12)	156,402	0.33	171,728	0.33
Deferred tax assets	4, 5, 6(25)	302,673	0.63	237,983	0.46
Net defined benefit assets-noncurrent	5, 6(16)	10,676	0.02	10,117	0.02
Other noncurrent assets	8	476,463	0.99	394,684	0.76
Total non-current assets		8,053,909	16.77	8,074,305	15.52
Total assets		\$ 48,037,205	100.00	\$ 52,019,009	100.00

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
CORETRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2018 and 2017
(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Note	December 31, 2018	%	December 31, 2017	%
Current liabilities					
Short-term borrowings	6(13)	\$ 6,414,641	13.35	\$ 8,176,659	15.72
Financial liabilities at fair value through profit or loss-current	4, 6(14)	23,475	0.05	66,910	0.13
Hedging derivative financial liabilities-current	4, 6(14), 12	-	-	156,598	0.30
Hedging financial liabilities-current	4, 6(14), 12	2,402	0.01	-	-
Contract liabilities-current	6, 19	353,528	0.74	-	-
Notes payable		-	-	581	-
Accounts payables		9,272,126	19.30	12,850,802	24.70
Accounts payables-related parties	7	40,422	0.08	39,911	0.08
Other payables		4,627,935	9.63	3,928,009	7.56
Current tax liabilities	4, 5, 6(25)	925,636	1.93	885,432	1.70
Provisions-current	4, 5, 6(17)	826,791	1.72	967,768	1.86
Other current liabilities		543,884	1.13	625,746	1.20
Current portion of long-term borrowings	6, 15	165,004	0.34	49,024	0.09
Total current liabilities		23,195,844	48.28	27,747,440	53.34
Non-current liabilities					
Long-term borrowings	6, 15	287,295	0.60	459,251	0.88
Deferred tax liabilities	4, 5, 6(25)	32,746	0.07	34,246	0.07
Net defined benefit liabilities-noncurrent	5, 6(16)	192,723	0.40	185,387	0.36
Other noncurrent liabilities		62,944	0.13	46,024	0.09
Total non-current liabilities		575,708	1.20	724,908	1.40
Total liabilities		23,771,552	49.48	28,472,348	54.74
Equity attributable to owners of the parent					
Share capital					
Common stock	6(18)	4,344,231	9.04	4,344,231	8.35
Capital surplus	6(18)	4,072,808	8.48	4,092,423	7.87
Retained earnings	6(18), 6(25), 6(26)				
Legal reserve		3,572,543	7.44	3,397,480	6.53
Special reserve		2,483,647	5.17	1,962,450	3.77
Unappropriated retained earning		9,345,802	19.46	8,928,344	17.16
Total retained earnings		15,401,992	32.07	14,288,274	27.46
Other equity		(1,613,818)	(3.36)	(1,192,827)	(2.29)
Total equity attributable to owners of the parent		22,205,213	46.23	21,532,101	41.39
Non-controlling interests	4, 6(18)	2,060,440	4.29	2,014,560	3.87
Total equity		24,265,653	50.52	23,546,661	45.26
Total liabilities and equity		\$ 48,037,205	100.00	\$ 52,019,009	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
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Note	For the years ended December 31,		For the years ended December 31,	
		2018	%	2017	%
Net sales	4, 5, 6(17), 6(19), 7	\$ 55,672,933	100.00	\$ 53,105,303	100.00
Operating costs	4, 5, 6(8), 6(12), 6(21), 6(22), 7	45,303,063	81.37	44,014,785	82.88
Gross profit		10,369,870	18.63	9,090,518	17.12
Operating expenses	6(12), 6(16), 6(21), 6(22)				
Selling expenses		2,112,270	3.80	1,940,482	3.66
General and Administrative expenses		2,484,040	4.46	2,391,602	4.50
Research and development expenses		3,471,941	6.24	3,027,153	5.70
Total operating expenses		8,068,251	14.50	7,359,237	13.86
Operating income		2,301,619	4.13	1,731,281	3.26
Non-operating income and expenses					
Other income	6(23)	598,873	1.08	602,050	1.13
Other gains and losses	6(23)	211,829	0.38	69,217	0.13
Finance costs	6(23)	(245,000)	(0.44)	(177,224)	(0.33)
Share of loss of associates and joint ventures accounted for using equity method	6(9)	-	-	(2,942)	(0.01)
Total non-operating income and expenses		565,702	1.02	491,101	0.92
Income before income tax		2,867,321	5.15	2,222,382	4.18
Income tax expense	4, 5, 6(25)	(739,137)	(1.33)	(517,804)	(0.97)
Net income		2,128,184	3.82	1,704,578	3.21
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit pension plans	6(24)	(15,326)	(0.03)	94,550	0.18
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income	6(24)	(65,698)	(0.12)	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss	6(24), 6(25)	4,805	0.01	(16,074)	(0.03)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6(24)	(287,075)	(0.51)	(594,048)	(1.12)
Unrealized gain (loss) on available-for-sale financial assets	6(24)	-	-	35,113	0.06
Gain (loss) on effective portion of cash flow hedges	6(24)	7,823	0.01	(12,427)	(0.02)
Income tax related to items that may be reclassified subsequently to profit or loss	6(24), 6(25)	(3,939)	(0.01)	4,442	0.01
Other comprehensive loss, net of tax		(359,410)	(0.65)	(488,444)	(0.92)
Total comprehensive income		\$ 1,768,774	3.17	\$ 1,216,134	2.29
Net income (loss) for the periods attributable to :					
Shareholders of the parent	6(26)	\$ 2,020,219		\$ 1,750,627	
Non-controlling interests	6(18), 6(28)	\$ 107,965		\$ (46,049)	
Total comprehensive income (loss) for the periods attributable to :					
Shareholders of the parent		\$ 1,649,136		\$ 1,302,908	
Non-controlling interests		\$ 119,638		\$ (86,774)	
Basic Earnings Per Share (in New Taiwan Dollars)	6(26)	\$ 4.65		\$ 4.03	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(26)	\$ 4.56		\$ 3.95	

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
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 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 earnings	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	-	30,586	-	-	-	-	-	-	-	-	30,586	89,418	120,004
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	-	-	-	-	(868,846)	-	-	-	-	-	(868,846)	-	(868,846)
Cash dividends distributed from capital surplus	-	(651,635)	-	-	-	-	-	-	-	-	(651,635)	-	(651,635)
Net income for the year ended December 31, 2017	-	-	-	-	1,750,627	-	-	-	-	-	1,750,627	(46,049)	1,704,578
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	73,478	(548,325)	-	35,113	(7,985)	-	(447,719)	(40,725)	(488,444)
Total comprehensive income (loss)	-	-	-	-	1,824,105	(548,325)	-	35,113	(7,985)	-	1,302,908	(86,774)	1,216,134
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,432)	(4,432)
Balance as of December 31, 2017	\$ 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
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
Reduction of capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition or disposal of the interest of subsidiaries	-	197,582	-	-	-	-	-	-	-	-	197,582	(23,662)	173,920
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 year ended December 31, 2018	-	-	-	-	2,020,219	-	-	-	-	-	2,020,219	107,965	2,128,184
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(10,082)	(299,534)	(65,351)	-	-	3,884	(371,083)	11,673	(359,410)
Total comprehensive income (loss)	-	-	-	-	2,010,137	(299,534)	(65,351)	-	-	3,884	1,649,136	119,638	1,768,774
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(50,438)	(50,438)
Balance as of December 31, 2018	\$ 4,344,231	\$ 4,072,808	\$ 3,572,543	\$ 2,483,647	\$ 9,345,802	\$ (1,487,746)	\$ (125,341)	\$ -	\$ -	\$ (731)	\$ 22,205,213	\$ 2,060,440	\$ 24,265,653

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2018	2017		2018	2017
Cash flows from operating activities :			Cash flows from investing activities :		
Net income before tax	\$ 2,867,321	\$ 2,222,382	Acquisition of subsidiaries (net of cash acquires)	\$ -	\$ (18,271)
Adjustments for:			Proceeds from disposal of available-for-sale financial assets	-	113,216
The profit or loss items which did not affect cash flows:			Proceeds from disposal of financial assets measured at cost	-	11,523
Expected credit loss	60,772	85,207	Acquisition of property, plant and equipment	(939,848)	(542,120)
Depreciation (including investment property)	1,020,667	1,137,161	Proceeds from disposal of property, plant and equipment	44,971	51,192
Amortization (including other noncurrent assets)	112,726	78,326	Acquisition of intangible assets	(102,769)	(74,561)
Interest expenses	245,000	177,224	Proceeds from disposal of intangible assets	303	897
Interest income	(404,389)	(304,800)	Increase in long-term prepaid rents	(75,863)	-
Dividend income	(7,712)	(2,261)	(Increase) decrease in other noncurrent assets	(41,418)	7,301
Transfer of property, plant and equipment to expense	610	727	Net cash used in investing activities	(1,114,624)	(450,823)
Loss (gain) on disposal of property, plant and equipment	7,695	(550)			
Loss on disposal of intangible assets	4	-			
Transfer of intangible assets to expense	228	1,350			
Gain from bargain purchase	-	(4,247)			
Gain on disposal of investments	-	(27,414)			
Share of loss of associates and joint ventures accounted for using equity method	-	2,942			
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(38,314)	90,927	Cash flows from financing activities :		
Impairment of non-financial assets	40,104	51,546	(Decrease) increase in short-term borrowings	(1,762,018)	1,547,351
Changes in operating assets and liabilities:			(Decrease) increase in long-term borrowings	(55,976)	467,272
Notes receivables	(125,561)	(77,176)	Increase in guarantee deposits	17,540	-
Trade receivables	2,949,559	1,088,500	(Decrease) increase in other noncurrent liabilities	(620)	1,627
Trade receivables-related parties	(538)	(1,145)	Cash dividends	(1,303,269)	(1,520,481)
Other receivables	139,578	(226,118)	Payment on subsidiaries' acquisition of treasury stock	-	(20,719)
Inventories	26,689	(710,306)	Proceeds from disposal of subsidiaries' ownership(without a change of control)	242,115	57,685
Prepayments	98,104	(110,968)	Change in non-controlling interests	(113,662)	63,568
Other current assets	(22,414)	37,890	Net cash (used in) provided by financing activities	(2,975,890)	596,303
Contract liabilities	(34,894)	-	Effect of exchange rate changes on cash and cash equivalents	(253,954)	(470,963)
Notes payables	(581)	(2,196)	Net (decrease) increase in cash and cash equivalents	(740,067)	2,663,928
Accounts payables	(3,578,676)	375,715	Cash and cash equivalents at the beginning of the period	17,966,117	15,302,189
Accounts payables-related parties	511	(939)	Cash and cash equivalents at the end of the period	\$ 17,226,050	\$ 17,966,117
Other payables	709,320	(238,604)			
Provision-current	84,162	118,312			
Other current liabilities	81,421	(230,678)			
Net defined benefit assets/liabilities	(8,764)	(27,934)			
Cash generated from operating activities	4,222,628	3,502,873			
Dividend received	7,712	2,261			
Interest received	394,410	295,940			
Interest paid	(245,661)	(173,495)			
Income tax paid	(774,688)	(638,168)			
Net cash provided by operating activities	3,604,401	2,989,411			

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

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 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 January 28, 2019.

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:

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

- A. Please refer to Note 4 for the accounting policies before or after January 1, 2018.
- 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\$353,528 thousand and the contract liabilities increased by NT\$353,528 thousand as of December 31, 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 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: Cash and cash equivalents (excluding cash on hand), notes receivables, trade receivables and other receivables	35,085,814	(including cash and cash 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 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		Financial assets at fair value through profit or loss				
Held for trading	\$67,435	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)				
Note receivables and trade receivables, net	16,499,403	Cash and cash equivalents	17,960,942	-	-	-
Other receivables	625,469	Note receivables and trade receivables, net	16,499,403	-	-	-
Subtotal	35,085,814	Other receivables	625,469	-	-	-
Hedging derivative financial assets	147,519	Subtotal	35,085,814			
		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 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 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 one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors’ classification remains unchanged as operating or finance leases, but additional disclosure information is required.

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.

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

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. Except for the following impact of IFRS 16 “Leases”, other standards and interpretations have no material impact on the Group.

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

- A. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on 1 January 2019 and; the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

- i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate on 1 January 2019; or
- ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

The Group expects the right-of-use asset and lease liabilities of total assets will increase 4.38% and 3.86%, respectively on 1 January 2019.

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

B. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

(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
IAS 1 and IAS 8	Amendment to Disclosure Initiative-Definition of Material	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.

Definition of Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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

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 years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and standards, interpretations and amendments issued, revised or amended which are endorsed and became effective by FSC.

(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.

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

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.

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	
			December 31, 2018	December 31, 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%

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

Subsidiary	Relationship	Business nature	Percentage of Ownership	
			December 31, 2018	December 31, 2017
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%
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%
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%
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%

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

Subsidiary	Relationship	Business nature	Percentage of Ownership	
			December 31, 2018	December 31, 2017
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.	44.11%	45.88%
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%
Young Lighting Limited(YLL) and its subsidiaries(Note a)	Subsidiary	YLL is a holding company and invests in Mainland China.. YLL’s joint ventures are the R&D, production, manufacturing and marketing of backlight module, touch module, LCD module, other optical components and lighting application. YLL’s joint ventures also provide after sales services.	100.00%	-

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

Subsidiary	Relationship	Business nature	Percentage of Ownership	
			December 31, 2018	December 31, 2017
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%
Chung Tsen Investment Corp. (“CGT”) and its subsidiaries	Subsidiary	CGT is an investment company for strategic purposes.	100.00%	100.00%
Coretronic Intelligent Cloud Service Corporation (“CICS”) and its subsidiaries(Note b)	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%
Coretronic Venture Capital Co. (“CVC”)	Subsidiary	The investment activities of company’s business expansion.	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%

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

Subsidiary	Relationship	Business nature	Percentage of Ownership	
			December 31, 2018	December 31, 2017
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%
Calibre UK Ltd. ("CAL")	Subsidiary	CAL is engaged in R&D, design, production and marketing of image processing products.	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 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: The Board of Directors adopted a resolution in October 2018 to merge 100% held subsidiary YLT with CORE and CORE acquired 100% shares of YLT's subsidiary YLL.

Note b: "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.

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

- (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.
- (h) CORE made an investment to establish Coretronic Intelligent Robotics Corporation (“CIRC”) and has completed registration of establishment in November 2017. CIRC 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 and the registration process of business merger has been completed and approved by regulatory authority.
- (k) Nano Precision (Suzhou) Co., Ltd made an investment to establish 100% held subsidiary Nano Precision Taiwan Limited (“NPT”) and has completed registration of establishment in October 2018. NPT has been fully consolidated since the investment date.

(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.

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

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.
- 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.

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

(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
- 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.

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

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.

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.

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

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.

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.

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

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.

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.

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

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.

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.

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

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:

- 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.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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
- (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.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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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.

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.

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

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.
- (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.

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

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.

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.

CORETRONIC CORPORATION AND SUBSIDIARIES
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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.

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.

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

(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.

(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

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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.

(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.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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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.

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 form 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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:

- 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
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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
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(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.

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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
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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.

(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.

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.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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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.

(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.

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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.

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 preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

CORETRONIC CORPORATION AND SUBSIDIARIES
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(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. Investment properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment.

B. Operating lease commitments – the Group for lessor

The Group has entered into a commercial real estate lease for the investment real estate portfolio. Based on the assessment of its agreed terms, the Group retains the significant risks and rewards of these real estate ownership and treats such leases in business leases.

(2) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimates to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventories is mainly determined based on assumptions of future demand within a specific time period, therefore material adjustments may occur. Please refer to Note 6(8).

CORETRONIC CORPORATION AND SUBSIDIARIES
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C. Impairment of nonfinancial assets

When the carrying amount of the asset or cash generating unit is greater than its recoverable amount, the impairment occurs. Recoverable amount refers to the fair value of the sub-divided costs and the use of the value of both the higher. The calculation of the fair value reduction is based on the price or the market price of the asset under a binding sales agreement under a fair trade and the amount directly after deducting the incremental cost of the disposable asset. The use value is based on the calculation of the cash flow discount model. The cash flow is based on the budget for the next five years and does not include any significant future investment required by the Group's unencumbered restructuring or to enhance the performance of the unit's assets in order to strengthen the tested cash. Recoverable amounts are susceptible to the discount rate used in the cash flow discount model and the expected future cash inflows and growth rates used for extrapolation purposes. The main assumptions are used to determine the amount of recoverable amounts of different cash generating units, including sensitivity analysis.

D. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6(16) for more details.

E. Maintenance warranties

The provision of maintenance warranties for goods sold is based on historical experience and the specific ratios determined by other known causes to estimate the possible product warranty and maintenance that may occur. The provision is recognized in the account of cost of goods sold when goods in the selling year. Management of the Group regularly examines the reasonableness of the estimates. Refer to Note 6(17) for more details.

F. Revenue recognition - sales returns and allowance

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(18) for more details.

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G. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could cause future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective group's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31,	
	2018	2017
Cash on hand, savings and checking accounts	\$3,912,765	\$3,934,756
Time deposits	13,213,266	13,971,352
Cash Equivalents	100,019	60,009
Total	<u>\$17,226,050</u>	<u>\$17,966,117</u>

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

	December 31,	
	2018	2017(Note)
Financial assets designated at fair value through profit or loss:		
Derivative not designated as hedging instruments		
Forward foreign exchange contracts	\$63,143	
Forward cross currency contracts	107	
Subtotal	63,250	
Stocks	20,065	
Total	\$83,315	
Current	\$63,250	
Noncurrent	20,065	
Total	\$83,315	
	December 31,	
	2018(Note)	2017
Held for trading		
Derivative not designated as hedging instruments		
Forward foreign exchange contracts		\$67,435
Current		\$67,435
Noncurrent		-
Total		\$67,435

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
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(3) Hedging (Derivative) Financial Assets

	December 31,	
	2018	2017 (Note)
Hedging financial assets		
Forward foreign exchange contracts	\$11,613	
Current	\$11,613	
Noncurrent	-	
Total	\$11,613	
	December 31,	
	2018 (Note)	2017
Hedging derivative financial assets		
Forward foreign exchange contracts		\$147,519
Current		\$147,519
Noncurrent		-
Total		\$147,519

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

	December 31,	
	2018	2017 (Note)
Equity instruments investments measured at fair value through other comprehensive income-noncurrent		
Unlisted companies stocks	\$359,859	

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.

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

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

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.

(6) Notes Receivables

	December 31,	
	2018	2017
Notes Receivable - arose from Operating activities	\$256,793	\$131,232

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.

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(7) Trade Receivables and Trade Receivables-Related Parties

	December 31,	
	2018	2017
Trade receivable	\$13,540,426	\$16,496,404
Less: allowance for doubtful accounts	(181,700)	(129,607)
Subtotal	13,358,726	16,366,797
Trade receivables for related parties	1,912	1,374
Total	\$13,360,638	\$16,368,171

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(20) 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.):

	Collectively impaired
At January 1, 2017	\$44,377
Charge for the current period	85,207
Write-off for uncollectable accounts	-
Exchange differences	23
At December 31, 2017	\$129,607

There is no impairment loss as a result of individual valuation of trade receivables for the years ended December 31, 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

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 December 31, 2018 and 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.

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(8) Inventories

	December 31,	
	2018	2017
Raw materials and supplies	\$5,393,686	\$4,716,148
Work in process	255,027	191,537
Finished goods	2,233,646	2,996,239
Total	<u>\$7,882,359</u>	<u>\$7,903,924</u>

The cost of inventories recognized in expenses amounted to NT\$45,303,063 thousand and NT\$44,014,785 thousand for the years ended December 31, 2018 and 2017, including the write-down of inventories and obsolescence loss of NT\$263,303 thousand and NT\$207,794 thousand, respectively.

The allowance write-down of inventories amounts to NT\$608,995 thousand and NT\$495,326 thousand as of December 31, 2018 and 2017, respectively.

No inventories were pledged.

(9) Investments Accounted for Using Equity Method

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

	December 31, 2018	
Investees	Carrying Amount	Percentage of ownership (%)
Investments in associates:		
Genejet Biotech Co., Ltd. ("Genejet")	<u>\$-</u>	19.51%

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

The Group recognized share of loss of these associates and joint ventures in the amount of NT\$2,942 thousand for the year ended December 31 2017.

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 December 31, 2018 and 2017. No investments accounted for using equity method held by the Group was pledged to others.

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(10) 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	-	71,615	287,765	39,915	2,380	-	83,074	119,577	342,809	947,135
Disposals	-	(4,811)	(247,964)	(39,445)	(12,579)	-	(19,094)	(194,357)	-	(518,250)
Transfers	-	64,879	55,121	(1,744)	88	-	(69,054)	6,621	(75,816)	(19,905)
Exchange differences	(311)	(52,200)	(64,965)	(5,649)	(627)	72	(13,523)	(24,944)	404	(161,743)
As of December 31, 2018	<u>\$39,046</u>	<u>\$6,964,402</u>	<u>\$5,375,501</u>	<u>\$467,059</u>	<u>\$43,147</u>	<u>\$2,322</u>	<u>\$828,149</u>	<u>\$1,740,256</u>	<u>\$312,192</u>	<u>\$15,772,074</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	43,410	100,678	35,043	1,786	403	54,564	113,801	164,265	515,716
Acquisitions through business combinations	13,339	-	790	1,011	25	-	51	1,578	-	16,794
Disposals	-	(57,149)	(472,922)	(80,354)	(26,377)	-	(54,146)	(266,599)	(135)	(957,682)
Transfers	-	248,192	571,623	(30,901)	1,716	-	8,967	(336,072)	(313,638)	149,887
Exchange differences	352	(69,051)	(97,057)	(1,073)	(2,069)	(161)	(17,584)	(23,107)	(3,832)	(213,582)
As of December 31, 2017	<u>\$39,357</u>	<u>\$6,884,919</u>	<u>\$5,345,544</u>	<u>\$473,982</u>	<u>\$53,885</u>	<u>\$2,250</u>	<u>\$846,746</u>	<u>\$1,833,359</u>	<u>\$44,795</u>	<u>\$15,524,837</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	-	300,821	497,887	35,099	4,555	80	48,857	125,316	-	1,012,615
Disposals	-	(4,809)	(205,183)	(38,619)	(9,222)	-	(18,679)	(189,072)	-	(465,584)
Transfers	-	26,885	(713)	(1,541)	-	-	(43,830)	(96)	-	(19,295)
Impairment losses	-	-	40,104	-	-	-	-	-	-	40,104
Exchange differences	-	(28,864)	(48,524)	(4,248)	(535)	64	(7,951)	(21,604)	-	(111,662)
As of December 31, 2018	<u>\$-</u>	<u>\$3,131,339</u>	<u>\$3,527,821</u>	<u>\$371,322</u>	<u>\$35,864</u>	<u>\$2,069</u>	<u>\$695,710</u>	<u>\$1,456,637</u>	<u>\$-</u>	<u>\$9,220,762</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	-	330,969	504,864	38,371	6,930	74	83,284	164,616	-	1,129,108
Disposals	-	(57,116)	(429,104)	(78,589)	(25,479)	-	(51,730)	(265,022)	-	(907,040)
Transfers	-	193,866	80,258	(14,827)	-	-	(168)	(108,515)	-	150,614
Impairment losses	-	-	23,842	-	-	-	-	-	-	23,842
Exchange differences	-	(20,732)	(51,465)	(180)	(1,742)	(157)	(19,335)	(8,261)	-	(101,872)
As of December 31, 2017	<u>\$-</u>	<u>\$2,837,306</u>	<u>\$3,244,250</u>	<u>\$380,631</u>	<u>\$41,066</u>	<u>\$1,925</u>	<u>\$717,313</u>	<u>\$1,542,093</u>	<u>\$-</u>	<u>\$8,764,584</u>
Net carrying amounts as of:										
December 31, 2018	<u>\$39,046</u>	<u>\$3,833,063</u>	<u>\$1,847,680</u>	<u>\$95,737</u>	<u>\$7,283</u>	<u>\$253</u>	<u>\$132,439</u>	<u>\$283,619</u>	<u>\$312,192</u>	<u>\$6,551,312</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>

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The Group evaluated the economic benefits for property, plant and equipment and recognized impairment loss for the years ended December 31, 2018 and 2017 was NT\$40,104 thousand and NT\$23,842 thousand, respectively.

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

(11) Investment Property

	<u>Buildings</u>
Cost:	
As of January 1, 2018	\$244,538
Additions from acquisitions	-
Additions from subsequent expenditure	-
Disposals	-
As of December 31, 2018	<u>\$244,538</u>
As of January 1, 2017	\$244,538
Additions from acquisitions	-
Additions from subsequent expenditure	-
Disposals	-
As of December 31, 2017	<u>\$244,538</u>
Depreciation and Impairment:	
As of January 1, 2018	\$60,027
Depreciation	8,052
As of December 31 2018	<u>\$68,079</u>
As of January 1, 2017	\$51,974
Depreciation	8,053
As of December 31, 2017	<u>\$60,027</u>
Net carry amount As of:	
December 31, 2018	<u>\$176,459</u>
December 31, 2017	<u>\$184,511</u>

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	December 31,	
	2018	2017
Rental income from investment property	\$10,234	\$4,221
Less: Direct operating expenses from investment property generating rental income	(8,052)	(8,053)
Total	\$2,182	\$(3,832)

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:

	December 31,	
	2018	2017
Fair value of the investment property	\$222,400	\$217,000
Discount rates	4.095%	4.095%
Growth rates	0.4%	0.4%

(12) 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	-	-	32,824	-	-	69,945	102,769
Disposals	-	-	(34,804)	(3,360)	-	(7,139)	(45,303)
Transfers	-	-	(8,733)	-	-	(228)	(8,961)
Exchange differences	96	26	(354)	-	-	(2,831)	(3,063)
As of December 31, 2018	<u>\$103,901</u>	<u>\$16,049</u>	<u>\$126,102</u>	<u>\$54,522</u>	<u>\$5,940</u>	<u>\$145,856</u>	<u>\$452,370</u>
As of January 1, 2017	\$104,054	\$16,045	\$129,449	\$59,786	\$5,940	\$49,681	\$364,955
Additions	-	-	38,534	-	-	36,027	74,561
Acquisitions through business combinations	-	-	-	-	-	52,396	52,396
Disposals	-	-	(30,410)	-	-	(51,534)	(81,944)
Transfers	-	-	-	(1,904)	-	(1,350)	(3,254)
Exchange differences	(249)	(22)	(404)	-	-	889	214
As of December 31, 2017	<u>\$103,805</u>	<u>\$16,023</u>	<u>\$137,169</u>	<u>\$57,882</u>	<u>\$5,940</u>	<u>\$86,109</u>	<u>\$406,928</u>

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	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	3,759	1,155	26,340	18,115	-	57,679	107,048
Disposals	-	-	(34,497)	(3,360)	-	(7,139)	(44,996)
Exchange differences	25	6	(322)	-	-	(993)	(1,284)
As of December 31, 2018	<u>\$92,498</u>	<u>\$9,063</u>	<u>\$87,398</u>	<u>\$41,985</u>	<u>\$-</u>	<u>\$65,024</u>	<u>\$295,968</u>
As of January 1, 2017	\$84,994	\$6,750	\$99,881	\$8,242	\$-	\$44,314	\$244,181
Amortization	3,761	1,155	25,826	18,988	-	22,990	72,720
Disposals	-	-	(29,513)	-	-	(51,534)	(81,047)
Exchange differences	(41)	(3)	(317)	-	-	(293)	(654)
As of December 31, 2017	<u>\$88,714</u>	<u>\$7,902</u>	<u>\$95,877</u>	<u>\$27,230</u>	<u>\$-</u>	<u>\$15,477</u>	<u>\$235,200</u>
Net carrying amount as of:							
December 31, 2018	<u>\$11,403</u>	<u>\$6,986</u>	<u>\$38,704</u>	<u>\$12,537</u>	<u>\$5,940</u>	<u>\$80,832</u>	<u>\$156,402</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>

Amortization expense of intangible assets:

	December 31,	
	2018	2017
Operating Cost	\$41,147	\$9,405
Selling expenses	6,872	6,756
General and administrative expense	23,834	23,124
Research and development expenses	35,195	33,435
Total	<u>\$107,048</u>	<u>\$72,720</u>

(13) Short-Term Borrowings

	December 31,	
	2018	2017
Unsecured bank loans	<u>\$6,414,641</u>	<u>\$8,176,659</u>
Interest rates (%)	<u>0.93%~3.65%</u>	<u>0.69%~2.92%</u>

The Group's unused short-term lines of credits amounted to NT\$30,877,601 thousand and NT\$36,364,752 thousand as of December 31, 2018 and 2017, respectively.

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(14) Derivative financial liabilities

Financial Liabilities at Fair Value through Profit or Loss

	December 31,	
	2018	2017
Derivatives not designated as hedging Instruments -		
Current		
Forward exchange contracts	\$21,115	\$62,762
Forward cross currency contracts	2,360	4,148
Total	<u>\$23,475</u>	<u>\$66,910</u>

Hedging financial liabilities

	December 31,	
	2018	2017(Note)
Forward exchange contracts	<u>\$2,402</u>	

Hedging derivative financial liabilities

	December 31,	
	2018(Note)	2017
Forward exchange contracts		<u>\$156,598</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.

(15) Long-Term Borrowings

Details of long-term borrowings are as follow:

Lenders	December 31, 2018	Interest Rate (%)	Maturity date and terms of repayment
Secured long-term borrowings from First bank	\$20,625	1.48%	Effective from October 27, 2017. Principle is repaid 16 quarterly.
Secured long-term borrowings from First bank	430,833	1.38%	Effective from October 27, 2018. Principle is repaid 12 quarterly.
Secured long-term borrowings from Lombard Co.	515	4.11%	Effective from July 8, 2015. Principle is repaid 48 monthly.
Secured long-term borrowings from Lombard Co.	326	3.81%	Effective from January 5, 2017. Principle is repaid 36 monthly.
Less: current portion	<u>(165,004)</u>		
Total	<u>\$287,295</u>		

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(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	\$459,251		

The Group's unused long-term lines of credits amounted to NT\$300,000 thousand and NT\$461,738 thousand as of December 31, 2018 and 2017, respectively.

(16) Post-Employment Benefits

Defined contribution plan

The Group and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of Mainland China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

CORETRONIC CORPORATION AND SUBSIDIARIES
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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Pension expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT\$393,003 thousand and NT\$468,991 thousand, respectively.

Defined benefits plan

The Group and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$12,895 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

The weighted average duration of the defined benefits plan obligation was 13.73 to 17.43 years and 14.6 to 17.61 years as of December 31, 2018 and 2017, respectively.

CORETRONIC CORPORATION AND SUBSIDIARIES
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Pension costs recognized in profit or loss are as follows:

	December 31,	
	2018	2017
Current service costs	\$1,007	\$1,562
Net interest on the net defined benefit liabilities (assets)	9,486	9,054
Expect return on plan assets	(6,032)	(5,051)
Settlement profit	-	(18,813)
Total	\$4,461	\$(13,248)

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	December 31,		January 1,
	2018	2017	2017
Present value of defined benefit obligation	\$545,893	\$541,301	\$658,244
Plan assets at fair value	(363,846)	(366,031)	(360,490)
Net defined benefit liabilities(assets)	\$182,047	\$175,270	\$297,754
Other non-current liabilities			
— Carrying amount on the net defined benefit liabilities	\$192,723	\$185,387	\$297,754
Other non-current assets			
— Carrying amount on the net defined benefit assets	\$(10,676)	\$(10,117)	\$-

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

Reconciliations of net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
As of January 1, 2017	\$658,244	\$360,490	\$297,754
Current Service Cost	1,562	-	1,562
Interest expense (revenue)	9,054	5,051	4,003
Settlement profit or loss	(18,813)	-	(18,813)
Subtotal	650,047	365,541	284,506

Remeasurements of the defined benefit liability (asset):

Actuarial gains and losses arising from changes in financial assumptions	(92,649)	(76)	(92,573)
Experience adjustments	(3,417)	(1,440)	(1,977)
Subtotal	(96,066)	(1,516)	(94,550)
Paid pension	(12,680)	(12,545)	(135)
Contributions by employer	-	14,551	(14,551)
As of December 31, 2017	\$541,301	\$366,031	\$175,270

As of January 1, 2018	\$541,301	\$366,031	\$175,270
Current Service Cost	1,007	-	1,007
Interest expense (revenue)	9,486	6,032	3,454
Subtotal	551,794	372,063	179,731

Remeasurements of the defined benefit liability (asset):

Actuarial gains and losses arising from changes in financial assumptions	14,282	-	14,282
Experience adjustments	9,761	8,717	1,044
Subtotal	24,043	8,717	15,326
Paid pension	(29,944)	(29,944)	-
Contributions by employer	-	12,964	(12,964)
Other	-	46	(46)
As of December 31, 2018	\$545,893	\$363,846	\$182,047

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The principal assumptions used in determining the Group's defined benefit plan are as follows:

	December 31,	
	2018	2017
Discount rate	1.125%-1.375%	1.625%
Expected rate of salary increases	1.00%~4.00%	1.00%~5.00%

Sensitivity analysis of significant assumptions is as follows:

	December 31,			
	2018		2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$-	\$19,030	\$-	\$18,838
Discount rate decrease by 0.25%	19,894	-	19,809	-
Future salary increase by 0.25%	19,060	-	19,004	-
Future salary decrease by 0.25%	-	18,349	-	18,274

The sensitivity analysis above is based on a change in one significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

(17) Provisions

	Maintenance warranties
As of January 1, 2018	\$742,629
Arising during the period	284,589
Utilized during the period	(191,834)
Exchange differences	(8,593)
As of December 31, 2018	<u>\$826,791</u>
As of December 31, 2018:	
Current	\$826,791
Non-Current	-
	<u>\$826,791</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
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	Maintenance warranties	Sales returns and 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>

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.

(18) Equities

A. Common stock

CORE's authorized capital was NT\$10,000,000 thousand as of December 31, 2018 and 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

	December 31,	
	2018	2017
Additional paid-in capital	\$3,569,001	\$3,786,212
Treasury Stock transactions	116,614	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	297,948	102,411
Changes in ownership interests in subsidiaries	89,245	89,231
Total	<u>\$4,072,808</u>	<u>\$4,092,423</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
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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 to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies:

According to the 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 reserve 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.

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:

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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(22) for further details on employees' compensation and remuneration to directors and supervisors.

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D. Non-controlling interests:

	Years ended December 31,	
	2018	2017
Beginning balance	\$2,014,560	\$2,121,580
Profit (loss) attributable to non-controlling interests	107,965	(46,049)
Other comprehensive income (loss) attributable to non-controlling interests, net of tax:		
Exchange differences on translation of foreign operations	12,459	(45,723)
Effect of tax rate changes on defined benefit plans	(185)	-
Remeasurements of defined benefit plans	(539)	4,998
Unrealized gain 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	(23,662)	89,418
Changes in subsidiaries' ownership	-	(105,232)
Ending balance	<u>\$2,060,440</u>	<u>\$2,014,560</u>

(19) Operating Income

	Years ended December 31	
	2018(Note)	2017
Contract revenue from customers		
Sale of goods	\$54,094,799	\$51,768,364
Revenue arising from rendering of services	964,157	452,469
Other operating revenues	613,977	884,470
Total	<u>\$55,672,933</u>	<u>\$53,105,303</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).

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

A. Revenue of Segments

For the years ended December 31, 2018

	Energy – saving products segment	Image products and brand segment	Optical component segment	Other Segment	Elimination	Total
Sale of goods	\$25,076,064	\$21,464,438	\$6,100,579	\$2,526,944	\$(1,073,226)	\$54,094,799
Revenue arising from rendering of services	797,964	52,831	19,985	130,670	(37,293)	964,157
Other operating revenues	199,041	253,274	141,681	23,494	(3,513)	613,977
Total	<u>\$26,073,069</u>	<u>\$21,770,543</u>	<u>\$6,262,245</u>	<u>\$2,681,108</u>	<u>\$(1,114,032)</u>	<u>\$55,672,933</u>
The timing of revenue recognition:						
At a point in time	<u>\$26,073,069</u>	<u>\$21,770,543</u>	<u>\$6,262,245</u>	<u>\$2,681,108</u>	<u>\$(1,114,032)</u>	<u>\$55,672,933</u>

B. Contract balance

Contract liabilities-current

	January 1, 2018	December 31, 2018	Difference
Sale of goods	\$263,047	\$241,829	\$(21,218)
Revenue arising from rendering of services	434	675	241
Other operating revenues	124,941	111,024	(13,917)
Total	<u>\$388,422</u>	<u>\$353,528</u>	<u>\$(34,894)</u>

During the years ended December 31, 2018, contract liabilities significantly decreased as additional performance obligations have been satisfied and NT\$388,422 thousand included in the contract liability at the beginning of the period was recognized as revenue during the period.

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 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.

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(20) Expected credit losses

	Years ended December 31	
	2018	2017(Note)
Operating expenses – Expected credit losses		
Trade Receivables	\$60,772	

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 December 31, 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:

	Neither past due	Past due					Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	
Gross carrying amount	\$12,113,859	\$1,390,646	\$143,266	\$9,572	\$5,364	\$136,424	\$13,799,131
Loss ratio	0%	0-2%	5%	30%	50%	100%	
Expected credit losses	(44,537)	(711)	(5,507)	(1,710)	(1,834)	(127,401)	(181,700)
Subtotal	\$12,069,322	\$1,389,935	\$137,759	\$7,862	\$3,530	\$9,023	\$13,617,431

Note: The Group recognized expected credit losses in amount of NT\$44,537 thousand based on assessing certain accounts with significant credit risks.

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	60,772
Write-offs	(6,419)
Exchange differences	(2,260)
As of December 31, 2018	\$181,700

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(21) 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:

	December 31,	
	2018	2017
Not later than one year	\$85,800	\$63,825
Later than one year but not later than five years	256,255	183,031
Later than five years	230,835	143,275
Total	<u>\$572,890</u>	<u>\$390,131</u>

Operating lease expense as follows:

	Years ended December 31	
	2018	2017
Minimum lease payments	<u>\$353,884</u>	<u>\$345,971</u>

B. Operating lease commitments - the Group as lessor

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

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

	December 31,	
	2018	2017
Not later than one year	\$28,178	\$13,822
Later than one year but not later than five years	35,899	6,372
Later than five years	-	-
Total	<u>\$64,077</u>	<u>\$20,194</u>

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

	Years ended December 31					
	2018			2017		
	Operating Cost	Operating expenses	Total amount	Operating Cost	Operating expenses	Total amount
Employee benefits expense	\$3,683,059	\$5,001,852	\$8,684,911	\$4,598,867	\$4,495,932	\$9,094,799
Salaries	3,124,642	4,351,725	7,476,367	3,830,502	3,911,647	7,745,149
Labor and health insurance	138,331	306,557	444,888	212,023	284,688	496,711
Pension	204,795	192,669	397,464	289,343	166,400	455,743
Other employee benefits expense	215,291	150,901	366,192	266,999	130,137	397,136
Depreciation	755,886	234,835	990,721	811,356	288,266	1,099,622
Amortization	36,021	76,705	112,726	17,006	61,320	78,326

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 years ended December 31, 2018 and 2017. The amounts of employees' compensation was NT\$290,398 thousand and NT\$256,596 thousand for the years ended December 31, 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 28, 2019 to distribute NT\$290,398 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.

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(23) Non-Operating Income and Expenses

A. Other income

	Years ended December 31	
	2018	2017
Interest income		
Financial assets measured at amortized cost	\$404,389	\$304,800
Rental income	24,851	41,417
Dividend income	7,712	2,261
Other	161,921	253,572
Total	<u>\$598,873</u>	<u>\$602,050</u>

B. Other gains and losses

	Years ended December 31	
	2018	2017
(Losses) gains on disposal of property, plant and equipment	\$(7,695)	\$550
Foreign exchange (loss) gain, net	(78,986)	286,920
Gains (losses) on financial assets (liabilities) at fair value through profit or loss (Note a and b)	383,018	(158,390)
(Losses) gains on disposal of investments	(5,157)	27,414
Impairment losses	(40,104)	(51,546)
Other losses	(39,247)	(35,731)
Total	<u>\$211,829</u>	<u>\$69,217</u>

Note:

- a. Balance in the years ended December 31, 2018 was arising from financial assets mandatorily measured at fair value through profit or loss and balance in the years ended December 31, 2017 was arising from held for trading financial assets.
- b. Balances in the years ended December 31, 2018 and 2017 were arising from held for trading financial liabilities.

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C. Finance cost

	Years ended December 31	
	2018	2017
Interest on borrowings from bank	\$244,994	\$177,224
Interest on obligations under finance leases	6	-
Total	<u>\$245,000</u>	<u>\$177,224</u>

(24) Components of Other Comprehensive Income

For the year ended December 31, 2018

	Arising during the period	Income tax income (expense)	Other comprehensive income, net of tax
<u>Not to be reclassified to profit or loss:</u>			
Remeasurements of defined benefit plans	\$(15,326)	\$4,520	\$(10,806)
Unrealized gains or losses on financial assets at fair value through other comprehensive income	(65,698)	285	(65,413)
<u>To be reclassified to profit or loss in subsequent periods:</u>			
Exchange differences on translation of foreign operations	(287,075)	-	(287,075)
Gain (loss) on effective portion of cash flow hedges	7,823	(3,939)	3,884
Total of other comprehensive income	<u>\$(360,276)</u>	<u>\$866</u>	<u>\$(359,410)</u>

For the year ended December 31, 2017

	Arising during the period	Income tax income (expense)	Other comprehensive income, net of tax
<u>Not to be reclassified to profit or loss:</u>			
Remeasurements of defined benefit plans	\$94,550	\$(16,074)	\$78,476
<u>To be reclassified to profit or loss in subsequent periods:</u>			
Exchange differences on translation of foreign operations	(594,048)	-	(594,048)
Unrealized gains or losses from available- for-sale financial assets	35,113	-	35,113
(Loss) gain on effective portion of cash flow hedges	(12,427)	4,442	(7,985)
Total of other comprehensive income	<u>\$(476,812)</u>	<u>\$(11,632)</u>	<u>\$(488,444)</u>

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(25) 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

	Years ended December 31,	
	2018	2017
Current income tax expense (income):		
Current income tax charge	\$818,363	\$593,074
Adjustments in respect of current income tax of prior periods	(17,793)	(29,759)
Deferred tax expense (income):		
Deferred tax (income) expense relating to origination and reversal of temporary differences	(88,625)	(102,461)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	35,872	1,580
Tax (income) expense recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(32,177)	(1,449)
Deferred tax expense (income) arising from write-down or reversal of write-down of deferred tax asset	55,642	55,402
Deferred tax income relating to changes in tax rate or the imposition of new taxes	(32,072)	-
Other	(73)	1,417
Total income tax expense	<u>\$739,137</u>	<u>\$517,804</u>

Income tax relating to components of other comprehensive income

	Years ended December 31,	
	2018	2017
Deferred income tax income (expense):		
Gains on hedging instruments	\$(3,939)	\$-
Remeasurements of defined benefit plans	4,520	(16,074)
Unrealized losses on financial assets at fair value through other comprehensive income	285	-
Unrealized loss of cash flow hedges	-	4,442
Total	<u>\$866</u>	<u>\$(11,632)</u>

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Reconciliation of income tax expense and the accounting profit multiplied by applicable tax rates is as follows:

	Years ended December 31,	
	2018	2017
Accounting profit before tax from continuing operations	\$2,867,321	\$2,222,382
Tax at the domestic rates applicable to profits in the country concerned	\$1,222,318	\$800,936
Tax effect of expenses not deductible for tax purposes	(416,503)	(242,351)
Tax effect of deferred tax assets/liabilities	29,726	25,613
10 % surtax on undistributed retained earnings	4,487	13,088
Operating loss carryforward	(23,519)	(25,459)
Investment tax credits	(30,134)	(40,888)
Adjustments in respect of current income tax of prior periods	(17,793)	(29,759)
Other	2,627	16,624
Impact of change in tax rate	(32,072)	-
Total income tax expense recognized in profit or loss	\$739,137	\$517,804

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Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized allowance for inventory obsolescence	\$33,891	\$1,653	\$-	\$370	\$35,914
Depreciation difference for tax purpose	(1,569)	1,962	-	169	562
Unrealized intragroup profits and losses	48,005	21,975	-	(18)	69,962
Net unrealized exchange gains or losses	5,918	(4,058)	-	41	1,901
Provisions - maintenance warranties	27,253	(440)	-	450	27,263
Provision-sales returns and allowances	26,871	14,337	-	173	41,381
Impairment on property, plant and equipment	4,614	1,627	-	-	6,241
Defined benefit liabilities-noncurrent	29,420	(75)	4,520	(3)	33,862
Investments accounted for using the equity method	(23,803)	6,392	-	-	(17,411)
Accrued expense of tax differences	41,148	8,910	-	105	50,163
Allowance for bad debts	328	1,184	-	57	1,569
Cash flow hedges	4,121	-	(3,939)	-	182
Others	(18,820)	12,815	285	2,215	(3,505)
Unused tax losses	12,760	(4,224)	-	-	8,536
Foreign unused tax losses	13,600	(698)	-	405	13,307
Deferred tax (expense) income		<u>\$61,360</u>	<u>\$866</u>	<u>\$3,964</u>	
Net deferred tax assets (liabilities)	<u>\$203,737</u>				<u>\$269,927</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$237,983</u>				<u>\$302,673</u>
Deferred tax liabilities	<u>\$(34,246)</u>				<u>\$(32,746)</u>

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For the year ended December 31, 2017

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Business combination	Ending balance
Temporary differences						
Unrealized allowance for inventory						
obsolescence	\$15,700	\$18,744	\$-	\$(553)	\$-	\$33,891
Depreciation difference for tax purpose	3,328	(4,295)	-	(602)	-	(1,569)
Unrealized intragroup profits and losses	38,986	9,177	-	(158)	-	48,005
Net unrealized exchange gains or losses	(34,907)	40,825	-	-	-	5,918
Provisions - maintenance warranties	20,169	7,974	-	(890)	-	27,253
Provision-sales returns and allowances	22,932	4,199	-	(260)	-	26,871
Impairment on property, plant and equipment	4,614	-	-	-	-	4,614
Defined benefit liabilities-noncurrent	50,198	(4,704)	(16,074)	-	-	29,420
Investments accounted for using the equity method	(54,874)	31,071	-	-	-	(23,803)
Accrued expense of tax differences	67,317	(25,482)	-	(687)	-	41,148
Allowance for bad debts	614	(470)	-	184	-	328
Cash flow hedges	(321)	-	4,442	-	-	4,121
Others	5,321	(18,592)	-	316	(5,865)	(18,820)
Unused tax losses	7,255	5,505	-	-	-	12,760
Foreign unused tax losses	32,979	(17,024)	-	(2,355)	-	13,600
Deferred tax (expense) income		<u>\$46,928</u>	<u>\$(11,632)</u>	<u>\$(5,005)</u>	<u>\$(5,865)</u>	
Net deferred tax assets (liabilities)	<u>\$179,311</u>					<u>\$203,737</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$241,359</u>					<u>\$237,983</u>
Deferred tax liabilities	<u>\$(62,048)</u>					<u>\$(34,246)</u>

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The following table contains information of the unused tax losses of the Group and its domestic subsidiaries:

December 31, 2018

Accumulated loss	Unutilized accumulated loss	Expiration Year
\$44,478	\$44,478	2019
12,925	10,327	2020
19,035	19,035	2021
187,854	18,929	2022
4,114	4,114	2023
1,443	1,443	2024
135,421	1,125	2025
270,475	190,079	2026
36,582	13,933	2027
24,656	24,656	2028(Expected)
<u>\$736,983</u>	<u>\$328,119</u>	

December 31, 2017

Accumulated loss	Unutilized accumulated loss	Expiration Year
\$83,884	\$23,688	2018
44,478	44,478	2019
6,304	6,304	2020
210	210	2021
168,925	42,067	2022
7,678	-	2025
261,292	254,974	2026
35,323	35,323	2027(Expected)
<u>\$608,094</u>	<u>\$407,044</u>	

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized amount to NT\$489,279 thousand and NT\$331,364 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize deferred tax liabilities associated with tax payable for unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that not all distributed profits of its subsidiaries will be distributed in the foreseeable future. As of December 31, 2018 and 2017, the amount of taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities were NT\$17,557,678 thousand and NT\$16,850,792 thousand, respectively.

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Unappropriated retained earnings:

	December 31,	
	2018	2017
Earnings generated in and before 1997	\$43,393	\$43,393
Earnings generated in and after 1998	9,302,409	8,884,951
Total	<u>\$9,345,802</u>	<u>\$8,928,344</u>

The assessment of income tax returns

As of December 31, 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 2016
Optoma	Assessed and approved up to 2016
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

(26) 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.

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.

	Years ended December 31	
	2018	2017
A. Basic earnings per share		
Profit attributable to ordinary shareholders of the parent (in thousand NT\$)	<u>\$2,020,219</u>	<u>\$1,750,627</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>434,423</u>	<u>434,423</u>
Basic earnings per share (NT\$)	<u>\$4.65</u>	<u>\$4.03</u>

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	Years ended December 31	
	2018	2017
B. Diluted earnings per share		
Profit attributable to ordinary shareholders of the parent after dilution (in thousand NT\$)	<u>\$2,020,219</u>	<u>\$1,750,627</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	434,423	434,423
Effect of dilution:		
Employee Bonus—stock (in thousand)	<u>8,992</u>	<u>9,161</u>
Weighted average number of ordinary shares outstanding after dilution (in thousand)	<u>443,415</u>	<u>443,584</u>
Diluted earnings per share (NT\$)	<u>\$4.56</u>	<u>\$3.95</u>

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.

(27) 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:

	<u>Amount</u>
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

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	Amount
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>

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>

(28) 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	December 31,	
		2018	2017
Young Optics Inc.	Taiwan	55.89%	54.12%
		December 31,	
		2018	2017
Accumulated balance of material non-controlling interests			
Young Optics, Inc.		<u>\$1,977,334</u>	<u>\$1,830,848</u>

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	Years ended December 31	
	2018	2017
Profit allocated to material non-controlling interest		
Young Optics, Inc.	\$99,475	\$(78,846)

The summarized financial information of these subsidiaries is provided below.

This information is based on the amount before inter-company transactions.

Summarized information of profit or loss for the years ended December 31, 2018:

	Young Optics Inc.
Operating revenue	\$6,262,245
Gain for the period from continuing operations	180,159
Total comprehensive income for the period	154,095

Summarized information of profit or loss for the years ended December 31, 2017:

	Young Optics Inc.
Operating revenue	\$4,455,012
Loss for the period from continuing operations	(148,191)
Total comprehensive income for the period	(207,319)

Summarized information of financial position as of December 31, 2018:

	Young Optics Inc.
Current assets	\$3,224,346
Non-current assets	2,477,139
Current liabilities	(1,858,724)
Non-current liabilities	(311,591)

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

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

Summarized cash flow information for the years ended December 31, 2018:

	Young Optics Inc.
Operating activities	\$107,621
Investing activities	(409,437)
Financing activities	79,772
Net decrease in cash and cash equivalents	(251,342)

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Summarized cash flow information for the years ended December 31, 2017:

	<u>Young Optics Inc</u>
Operating activities	\$(10,394)
Investing activities	(231,302)
Financing activities	(146,288)
Net decrease in cash and cash equivalents	(424,395)

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

A. Sales

	<u>Years ended December 31</u>	
	<u>2018</u>	<u>2017</u>
DongGuan Guan Zhi	<u>\$15,202</u>	<u>\$11,555</u>

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.

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B. Purchases

	Years ended December 31	
	2018	2017
Gunze	\$229,499	\$245,062
DongGuan Guan Zhi	1,151	72
Total	<u>\$230,650</u>	<u>\$245,134</u>

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.

C. Accounts Receivable from Related Parties

	December 31,	
	2018	2017
DongGuan Guan Zhi	<u>\$1,912</u>	<u>\$1,374</u>

D. Accounts Payable to Related Parties

	December 31,	
	2018	2017
Gunze	\$40,356	\$39,911
DongGuan Guan Zhi	66	-
Total	<u>\$40,422</u>	<u>\$39,911</u>

E. 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 December 31, 2017.

F. Key Management Personnel Compensation

	Years ended December 31	
	2018	2017
Short-term employee benefits	\$268,459	\$251,571
Post-employment benefits	6,168	5,011
Total	<u>\$274,627</u>	<u>\$256,582</u>

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8. Assets Pledged As Collateral

The following assets of the Group pledged as collateral:

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31, 2018	December 31, 2017	
Land	\$13,086	\$13,501	Collateral for long-term borrowings
Buildings (including investment property)	765,918	801,133	Collateral for long-term borrowings
Time deposits (shown as "Other receivables")	22,511	24,166	Lease execution deposits
Time deposits (shown as "Other receivables")	33,825	9,718	Customs import guarantee
Bank deposits (Shown as "Other receivables")	59,215	8,928	Derivative execution deposits
Bank deposits (Shown as "Other receivables")	2,027	2,063	Export tax guarantee
Time deposits (shown as "Other receivables")	1,472	1,438	Subsidy performance guarantee
Time deposits (shown as "Other noncurrent assets")	20,769	20,765	Lease execution deposits
Time deposits (shown as "Other noncurrent assets")	1,066	1,058	Customs import guarantee
Total	<u>\$919,889</u>	<u>\$882,770</u>	

9. Commitments and Contingencies

Amounts available under unused letters of credit as of December 31, 2018 are NT\$62,011 thousand.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

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12. Others

(1) Categories of Financial Instruments

Financial assets

	December 31,	
	2018	2017
Financial assets at fair value through profit or loss:		
Held for trading	(Note a)	\$67,435
Mandatorily measured at fair value through profit or loss	83,315	(Note a)
Financial assets at fair value through other comprehensive income	359,859	(Note a)
Available-for-sale financial assets (including financial assets measured at cost)	(Note a)	315,029
Financial assets measured at amortized cost (Note b)	31,348,949	(Note a)
Loans and receivables(Note b)	(Note a)	35,085,814
Hedging financial assets	11,613	147,519
Total	<u>\$31,803,736</u>	<u>\$35,615,797</u>

Financial liabilities

	December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term borrowings	\$6,414,641	\$8,176,659
Accounts payables (including related parties)	9,312,548	12,891,294
Other payables	4,627,935	3,928,009
Long-term borrowings (including current portion)	452,299	508,275
Subtotal	<u>20,807,423</u>	<u>25,504,237</u>
Financial liabilities at fair value through profit or loss:		
Held for trading	(Note a)	66,910
Mandatorily measured at fair value through profit or loss-current	23,475	-
Subtotal	<u>23,475</u>	<u>66,910</u>
Hedging financial liabilities	2,402	156,598
Total	<u>\$20,833,300</u>	<u>\$25,727,745</u>

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Note :

- (a) 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.
- (b) 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:

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When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2018 and 2017 is decreased/increased by NT\$75,967 thousand and NT\$111,403 thousand, while equity is decreased/increased by NT\$245,572 thousand and NT\$234,584 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 years ended December 31, 2018 and 2017 to decreased/increased by NT\$61,346 thousand and NT\$62,450 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 years ended December 31, 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\$201 thousand on the income attributable to the Group.

For the years ended December 31, 2018, an increase/decrease of 1% in the price of the listed equity securities classified as Unrealized gains or losses on financial assets at fair value through other comprehensive income(loss) could have an impact of NT\$3,599 thousand on the other comprehensive income 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.

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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 December 31, 2018 and 2017, receivables from top ten customers represented 59% and 67% 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

	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
As of December 31, 2018					
Borrowings	\$6,599,493	\$290,838	\$-	\$-	\$6,890,331
Accounts payables					
(including related parties)	9,312,548	-	-	-	9,312,548
Other payables	4,627,935	-	-	-	4,627,935
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

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Financial liabilities

	Less than 1 year	1 to 3 years	Total
As of December 31, 2018			
Inflows	\$-	\$-	\$-
Outflows	25,877	-	25,877
Net	\$25,877	\$-	\$25,877
As of December 31, 2017			
Inflows	\$-	\$-	\$-
Outflows	223,508	-	223,508
Net	\$223,508	\$-	\$223,508

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 December 31, 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	(1,762,018)	(55,976)	17,540	(620)	(1,801,074)
December 31, 2018	\$6,414,641	\$452,299	\$38,069	\$24,875	\$6,929,884

Reconciliation of liabilities as of December 31, 2017:

Not applicable

(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.

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(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:

Item (by contract)	Notional Amount	Contract Period
As of December 31, 2018		
Forward currency contract		
Selling forward currency contracts	USD 322,000 thousand	From January 2019 to April 2019
Buying forward currency contracts	USD 360,500 thousand	From January 2019 to April 2019
Selling forward currency contracts	EUR 15,500 thousand	From January 2019 to February 2019
Selling forward currency contracts	CAD 2,500 thousand	From January 2019 to April 2019
Forward cross currency contract	USD 30,500 thousand	From January 2019 to March 2019
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

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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, and 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 December 31, 2018			
Forward currency contract			
Selling forward currency contracts	USD	20,000 thousand	February 2019
Buying forward currency contracts	USD	20,000 thousand	February 2019
Selling forward currency contracts	GBP	5,500 thousand	January 2019
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

(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.

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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:

December 31, 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	\$-	\$63,143	\$-	\$63,143
Forward cross currency contract	-	107	-	107
Stock	-	-	20,065	20,065
Hedging financial assets-current	-	11,613	-	11,613
Equity instrument measured at fair value through other comprehensive income	-	-	359,859	359,859

Liabilities measured at fair value:

Financial liabilities at fair value through profit or loss				
Forward currency contract	-	21,115	-	21,115
Forward cross currency contract	-	2,360	-	2,360
Hedging financial liabilities-current	-	2,402	-	2,402

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

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Transfers between the Level 1 and Level 2 during the period

During the years ended December 31, 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:

	Assets		
	At fair value through profit or loss	At fair value through other comprehensive income	Total
	Stock	Stock	
As of January 1, 2018:	\$21,001	\$422,757	\$443,758
Total gains and losses recognized for the years ended December 31, 2018:			
Amount recognized in profit or loss (presented in “other profit or loss”)	(936)	-	(936)
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	(65,413)	(65,413)
Tax effect	-	(285)	(285)
Exchange differences	-	2,800	2,800
As of December 31, 2018	\$20,065	\$359,859	\$379,924

Total gains and losses recognized in profit or loss for the years ended December 31, 2018 in the table above contain gains (losses) related to assets on hand as of December 31, 2018 in the amount of NT\$(936) thousand.

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:

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At December 31, 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\$734 thousand /NT\$735 thousand.
Financial assets at fair value through other comprehensive income					
Stock	Asset-Based Approach	Not Applicable	-	-	-
	Market Approach	P/E ratio of similar entities	1.03	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\$1,842 thousand/ NT\$3,772housand.

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.

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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

December 31, 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(11))	\$-	\$-	\$222,400	\$222,400

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(11))	\$-	\$-	\$217,000	\$217,000

(10) Significant Assets and Liabilities Denominated in Foreign Currencies

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

December 31, 2018			
	Foreign currencies	Exchange rate	NTD thousand
<u>Financial assets</u>			
Monetary item:			
USD	\$876,864	30.715	\$26,932,878
JPY	160,598	0.2782	44,678
RMB	3,822	4.4753	17,105
GBP	112	38.88	4,354
EUR	355	35.2	12,496
Non-Monetary items:			
USD	\$2,200	30.715	\$67,573
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$629,534	30.715	\$19,336,137
JPY	97,179	0.2782	27,035
GBP	2,149	38.88	83,551

CORETRONIC CORPORATION AND SUBSIDIARIES
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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	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	332	40.11	13,305
JPY	164,149	0.2642	43,368
RMB	3,741	4.5645	17,076
Non-Monetary items:			
USD	\$1,914	29.76	\$56,946
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$658,486	29.76	\$19,596,543
GBP	487	40.11	19,532
JPY	56,975	0.2642	15,053

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\$(78,986) thousand and NT\$286,920 thousand for years ended December 31, 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 years ended December 31: Please refer to Attachment 1-3.
- B. Endorsement/Guarantee provided to others for the years ended December 31: Please refer to Attachment 1.
- C. Securities held as of years ended December 31 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 2.

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

- 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 years ended December 31: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the years ended December 31: 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 years ended December 31: 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 years ended December 31: 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 years ended December 31: 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(2), Note 6(3), Note 6 (14), 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.

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

B. Directly or indirectly significant transactions with the investees in Mainland China, please refer to Attachment 5.

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.

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

(2) Segment income, assets and liabilities information

For the years ended December 31, 2018

	Energy - saving products segment	Image products and brand segment	Optical components segment	Subtotal	Other segment (Note a)	Adjustment and elimination (Note b)	Total
Revenue							
Net revenue from external customers	\$25,743,790	\$21,674,154	\$5,662,082	\$53,080,026	\$2,592,907	\$-	\$55,672,933
Net revenue from sales among intersegments	329,279	96,389	600,163	1,025,831	88,201	(1,114,032)	-
Total revenue	<u>\$26,073,069</u>	<u>\$21,770,543</u>	<u>\$6,262,245</u>	<u>\$54,105,857</u>	<u>\$2,681,108</u>	<u>\$(1,114,032)</u>	<u>\$55,672,933</u>
Segment income	<u>\$1,247,139</u>	<u>\$1,671,744</u>	<u>\$193,164</u>	<u>\$3,112,047</u>	<u>\$(22,301)</u>	<u>\$(222,425)</u>	<u>\$2,867,321</u>
Segment Assets (Note c)	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$48,037,205</u>	<u>\$48,037,205</u>

For the years ended December 31, 2017

	Energy - saving products segment	Image products and brand segment	Optical components segment	Subtotal	Other segment (Note a)	Adjustment and elimination (Note b)	Total
Revenue							
Net revenue from external customers	\$26,356,224	\$20,250,435	\$3,872,681	\$50,479,340	\$2,625,963	\$-	\$53,105,303
Net revenue from sales among intersegments	478,359	53,458	582,331	1,114,148	4,918	(1,119,066)	-
Total revenue	<u>\$26,834,583</u>	<u>\$20,303,893</u>	<u>\$4,455,012</u>	<u>\$51,593,488</u>	<u>\$2,630,881</u>	<u>\$(1,119,066)</u>	<u>\$53,105,303</u>
Segment income	<u>\$982,863</u>	<u>\$1,398,027</u>	<u>\$(124,929)</u>	<u>\$2,255,961</u>	<u>\$(41,926)</u>	<u>\$8,347</u>	<u>\$2,222,382</u>
Segment Assets (Note c)	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$52,019,009</u>	<u>\$52,019,009</u>

Note a: Six and three operating segments did not meet the quantitative thresholds for reportable segments as of the years ended December 31, 2018 and 2017, respectively. They have been combined into other segments.

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

Note c: 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.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Years ended December 31	
	2018	2017
Net income of reportable segment	\$3,112,047	\$2,255,961
Income of other segment	(22,301)	(41,926)
Unallocated amount:		
Interest income	404,389	304,800
Interest expense	(245,000)	(177,224)
Financial assets (liabilities) at fair value through profit or loss	383,018	(158,390)
Exchange net gain(loss)	(78,986)	286,920
Others	(685,846)	(247,759)
Income before income tax	<u>\$2,867,321</u>	<u>\$2,222,382</u>

(3) Geographical information

A. Sales to other than consolidated entities

	Years ended December 31,	
	2018	2017
Mainland China (including Hong Kong)	\$24,413,940	\$17,541,082
Taiwan	11,700,488	12,554,703
United States	5,320,428	4,685,588
United Kingdom	4,480,226	3,798,717
Japan	3,773,502	4,050,421
Malaysia	1,753,638	2,636,458
Switzerland	1,497,367	1,426,635
South Korea	478,067	4,311,545
Others	2,255,277	2,100,154
Total	<u>\$55,672,933</u>	<u>\$53,105,303</u>

Sales are presented by customers' country.

B. Non-current assets

	December 31,	
	2018	2017
Taiwan	\$3,398,251	\$3,358,056
Mainland China (including Hong Kong)	3,272,912	3,646,444
Bangladesh	347,537	245,115
Europe	129,081	109,562
United States	59,875	5,318
Total	<u>\$7,207,656</u>	<u>\$7,364,495</u>

(4) Major customers information

2018 and 2017 for a single customer sales accounted for more than 10% of net sales are listed below:None.

ATTACHMENT 1 (Endorsement/Guarantee provided to others for the year ended December 31, 2018)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorser/Guarantor	Receiving party		Limit of guarantee/endorse- ment 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	\$ 10,720,951 (Note a)	\$ 900,000	\$ -	\$ -	-	0.00%	\$ 21,441,902 (Note a)	Yes	No	No
0	Coretronic Corporation	YLG Optotech	Associate	10,720,951 (Note a)	142,083 (USD4,590 thousands)	140,982 (USD4,590 thousands)	101,820	-	0.66%	21,441,902 (Note a)	Yes	No	Yes
0	Coretronic Corporation	Coretronic Intelligent Cloud Service Corp.	Subsidiary	10,720,951 (Note a)	1,775	1,775	1,775	-	0.01%	21,441,902 (Note a)	Yes	No	No
0	Coretronic Corporation	Young Lighting Technology	Subsidiary	10,720,951 (Note a)	371,652 (USD12,100 thousands)	-	-	-	0.00%	21,441,902 (Note a)	Yes	No	No
0	Coretronic Corporation	Coretronic Intelligent Robotics Corporation	Subsidiary	10,720,951 (Note a)	12,600	12,600	12,600	-	0.06%	21,441,902 (Note a)	Yes	No	No
0	Coretronic Corporation	Calibre UK Ltd.	Subsidiary	10,720,951 (Note a)	122,190 (GBP3,000 thousands)	116,640 (GBP3,000 thousands)	76,507	-	0.54%	21,441,902 (Note a)	Yes	No	No
	Total				<u>\$ 1,550,300</u>	<u>\$ 271,997</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 year ended December 31, 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	MAT	Brightbridge	Accounts receivables - related parties	Yes	\$ 2,668	\$ -	\$ -	0%	The need for short-term financing	-	Business turnover	-	None	-	\$ 1,227,295	\$ 1,227,295
2	Coretronic Projection (Kunshan)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	161,441	-	-	0%	The need for short-term financing	-	Business turnover	-	None	-	4,355,154	4,355,154
3	Young Green Energy	Calibre UK Ltd.	Accounts receivables - related parties	Yes	61,095	19,440	19,440	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	984,574	984,574	0.5%	The need for short-term financing	-	Business turnover	-	None	-	3,197,125	3,197,125
4	Coretronic (Ningbo)	YLG Optotech	Accounts receivables - related parties	Yes	261,078	92,145	92,145	0.5%	The need for short-term financing	-	Business turnover	-	None	-	3,197,125	3,197,125
5	Coretronic (Suzhou)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	941,937	290,897	290,897	0.5%	The need for short-term financing	-	Business turnover	-	None	-	4,055,106	4,055,106
5	Coretronic (Suzhou)	Coretronic System Engineering (Shanghai)	Accounts receivables - related parties	Yes	35,803	35,803	35,803	0.5%	The need for short-term financing	-	Business turnover	-	None	-	4,055,106	4,055,106
6	Bigshine (HK)	Core-Flex	Accounts receivables - related parties	Yes	132,642	131,614	131,614	0.5%	The need for short-term financing	-	Business turnover	-	None	-	288,316	288,316
6	Bigshine (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	154,775	153,575	153,575	0%	The need for short-term financing	-	Business turnover	-	None	-	288,316	288,316
7	Lead Bright (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	150,132	148,968	148,968	0%	The need for short-term financing	-	Business turnover	-	None	-	1,401,208	1,401,208
7	Lead Bright (HK)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	102,183	-	-	0%	The need for short-term financing	-	Business turnover	-	None	-	3,503,020	3,503,020
8	Greendale	Coretronic Corporation	Accounts receivables - related parties	Yes	455,348	451,818	451,818	0%	The need for short-term financing	-	Business turnover	-	None	-	2,015,697	2,015,697
8	Greendale	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	145,975	-	-	0%	The need for short-term financing	-	Business turnover	-	None	-	5,039,242	5,039,242
9	Investdragon (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	44,885	44,537	44,537	0%	The need for short-term financing	-	Business turnover	-	None	-	45,230	45,230
10	Bigshine	Coretronic Corporation	Accounts receivables - related parties	Yes	46,433	46,073	46,073	0%	The need for short-term financing	-	Business turnover	-	None	-	145,357	145,357
10	Bigshine	Brightbridge	Accounts receivables - related parties	Yes	2,724	2,703	2,703	0.5%	The need for short-term financing	-	Business turnover	-	None	-	363,392	363,392
11	Venture Orient	Coretronic Corporation	Accounts receivables - related parties	Yes	68,101	67,573	67,573	0%	The need for short-term financing	-	Business turnover	-	None	-	183,571	183,571
12	Wisdom Success (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	43,337	43,001	43,001	0%	The need for short-term financing	-	Business turnover	-	None	-	2,012,858	2,012,858
13	Great Pride	Coretronic Corporation	Accounts receivables - related parties	Yes	34,051	33,787	33,787	0%	The need for short-term financing	-	Business turnover	-	None	-	946,367	946,367
14	Nano Precision	Coretronic Corporation	Accounts receivables - related parties	Yes	61,910	-	-	0%	The need for short-term financing	-	Business turnover	-	None	-	114,692	114,692
15	Dynamic Time	Optoma Corporation	Other receivables - related parties	Yes	526,235	522,155	522,155	0%	The need for short-term financing	-	Business turnover	-	None	-	713,511	713,511
15	Dynamic Time	Optoma USA	Other receivables - related parties	Yes	170,253	168,933	168,933	1.96%-2.34%	The need for short-term financing	-	Business turnover	-	None	-	1,783,776	1,783,776
16	Modern Smart	Optoma Corporation	Other receivables - related parties	Yes	20,121	19,965	19,965	0%	The need for short-term financing	-	Business turnover	-	None	-	52,942	52,942
16	Modern Smart	Optoma USA	Other receivables - related parties	Yes	20,121	19,965	19,965	1.96%	The need for short-term financing	-	Business turnover	-	None	-	132,355	132,355
17	Masterview	Young Optics (BD)	Other receivables - related parties	Yes	123,820	122,860	122,860	2.50%	The need for short-term financing	-	Business turnover	-	None	-	2,055,016	2,055,016
17	Masterview	Mejiro Genossen Inc.	Other receivables - related parties	Yes	15,147	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	822,007	822,007
18	Grace China	Young Optics (BD)	Other receivables - related parties	Yes	86,324	86,002	86,002	3.00%	The need for short-term financing	-	Business turnover	-	None	-	1,107,555	1,107,555

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, Grace China
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 and Masterview

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

ATTACHMENT 1-2 (Endorsement/Guarantee provided to others for the year ended December
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsor/Guarantor	Receiving party		Limit of guarantee/endorse- ment 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										
1	Coretronic (Suzhou)	Coretronic Display (Suzhou)	Associate	\$ 2,027,553 (Note a)	\$ 295,126	\$ 283,877	\$ 134,907	-	7.00%	\$ 4,055,106 (Note a)	No	No	Yes
2	Optoma Corporation	Optoma USA	Associate	656,710 (Note a)	33,506	9,215	9,215	-	0.70%	1,313,419 (Note a)	No	No	No
3	Coretronic Optotech (Suzhou)	Coretronic Display (Suzhou)	Associate	350,598 (Note a)	201,390	201,390	201,390	-	28.72%	701,196 (Note a)	No	No	Yes
Total					<u>\$ 530,022</u>	<u>\$ 494,482</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 year ended December 31, 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	-	\$ 8,576,761 (Note)	\$ 8,576,761 (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 December 31, 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	December 31, 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	\$ 760	5.26%	\$ 760	
Coretronic Corporation	Nightingale Intelligent Systems, Inc.	-	Financial assets at fair value through profit or loss-noncurrent	697,034	17,470	3.98%	17,470	
Coretronic Corporation	GLO AB	-	Financial assets at fair value through profit or loss-noncurrent	50,000	2,595	0.24%	2,595	

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

ATTACHMENT 2-1 (Securities held as of December 31, 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	December 31, 2018				Note
				Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value(Note a)	
Chun Tsen Investment	Shieh Yong Investment	-	Financial assets at fair value through other comprehensive income-noncurrent	34,107,900	\$ 264,067	4.47%	\$ 264,067	
Venture Orient	Unitech Capital	-	Financial assets at fair value through other comprehensive income-noncurrent	2,500,000	USD 2,204,750	5.00%	USD 2,204,750	
Optoma Corporation	LIULIGONGFANG	-	Financial assets at fair value through other comprehensive income-noncurrent	242,094	3,106	3.06%	3,106	
	Excel Global	-	Financial assets at fair value through other comprehensive income-noncurrent	812,506	24,207	19.90%	24,207	
Coretronic Venture Capital	GeneJet Biotech	-	Investments accounted for using the equity method- noncurrent	1,575,000	- (Note b)	19.51%	-	

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.

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 year ended December 31, 2018)

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

Company Name	Counter-party	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	\$ 5,581,094	10.02%	120 days	-	-	\$ 2,252,735	16.54%	

ATTACHMENT 3-1 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2018)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Counter-party	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	\$ 412,476	7.40%	60 days	-	-	\$ 124,183	15.07 %	
Young Optics	Grace China	Associate	Purchases	3,073,336	75.41%	60 days	-	-	(522,731)	71.23 %	
Young Optics	Aptek Optical	Subsidiary	Sales	493,717	8.86%	60 days	-	-	138,992	16.86 %	
Young Optics (Kunshan)	Coretronic Optics (Kunshan)	Associate	Sales	581,996	15.44 %	90 days	-	-	121,865	14.82 %	
Young Optics (Kunshan)	Grace China	Associate	Sales	2,869,538	76.02 %	60 days	-	-	624,588	75.98 %	
Young Optics (Kunshan)	Grace China	Associate	Purchases	453,075	14.27 %	60 days	-	-	(140,895)	(37.32%)	
Young Optics (Kunshan)	Young Optics (Suzhou)	Associate	Sales	278,038	7.41 %	60 days	-	-	66,981	8.15 %	
Young Optics(BD)	Grace China	Associate	Sales	384,278	100.00 %	60 days	-	-	135,428	100.00 %	
Young Optics(BD)	Grace China	Associate	Purchases	220,303	86.62 %	60 days	-	-	(396,849)	(100.00%)	
Optoma Corporation	Optoma Europe	Associate	Sales	3,834,149	56.22%	90 days	-	-	823,837	40.85 %	
Optoma Corporation	Optoma USA	Associate	Sales	1,948,119	28.56%	120 days	-	-	1,016,031	50.39 %	
Optoma China	Coretronic Projection (Kunshan)	Associate	Purchases	1,463,293	91.13%	90 days	-	-	(756,145)	(96.97%)	
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 Optics (Suzhou)	Associate	Sales	126,484	8.09%	60 days	-	-	29,727	5.74 %	
Nano Precision (Suzhou)	Great Pride (HK)	Associate	Sales	327,013	20.93%	60 days	-	-	129,825	25.06 %	
Nano Precision (Suzhou)	Coretronic (Suzhou)	Associate	Sales	382,684	24.49%	60 days	-	-	79,697	15.38 %	
YLG Optotech	Champ Vision Display	Associate	Sales	204,117	14.18%	60 days	-	-	19,313	7.39%	
Coretronic Projection (Kunshan)	Champ Vision Display	Associate	Sales	1,318,574	6.83%	60 days	-	-	285,995	7.43%	
Coretronic Projection (Kunshan)	Coretronic Optics (Kunshan)	Associate	Sales	990,637	5.13%	60 days	-	-	207,038	5.38%	
Coretronic Display (Suzhou)	YLG Optotech	Associate	Sales	202,595	3.79%	60 days	-	-	43,283	3.52%	
Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	Associate	Sales	10,729,277	99.96%	60 days	-	-	1,547,994	99.90%	

ATTACHMENT 4 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 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	\$ 2,252,735	2.56	\$ -	-	\$ -	\$ -

ATTACHMENT 4-1 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2018)
(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	\$ 1,016,031	1.96	\$ -	-	\$ -	\$ -
Optoma Corporation	Optoma Europe	Associate	823,837	4.29	-	-	-	
Young Optics	Grace China	Associate	124,183	2.89	-	-	-	-
Young Optics	Aptek Optical	Subsidiary	138,992	3.79	-	-	-	-
Young Optics (Kunshan)	Coretronic Optics (Kunshan)	Associate	121,865	4.37	-	-	-	-
Young Optics (Kunshan)	Grace China	Associate	624,588	4.62	-	-	-	-
Grace China	Young Optics	Associate	522,731	5.36	-	-	-	-
Grace China	Young Optics (Kunshan)	Associate	140,895	3.26	-	-	-	-
Grace China	Young Optics (BD)	Associate	396,849	0.67	-	-	-	-
Young Optics (BD)	Grace China	Associate	135,428	3.53	-	-	-	-
Nano Precision (Suzhou)	Great Pride (HK)	Associate	129,825	2.62	-	-	-	-
Coretronic Projection (Kunshan)	Champ Vision Display	Associate	285,995	7.68	-	-	-	-
Coretronic Projection (Kunshan)	Optoma China	Associate	757,861	2.80	-	-	-	-
Coretronic Projection (Kunshan)	Coretronic Optics (Kunshan)	Associate	207,038	2.82	-	-	-	-
Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	Associate	1,547,994	6.48	-	-	-	-
Other receivables :								
Dynamic Time	Optoma Corporation	Associate	522,155	-	-	-	-	-
Dynamic Time	Optoma USA	Associate	170,593	-	-	-	-	-
Young Optics	Grace China	Associate	166,455	-	-	-	-	-
Grace China	Young Optics (BD)	Associate	177,370	-	-	-	-	

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	2,252,735	—	4.69%
			1	Sales	5,581,094	—	10.02%
		Optoma Europe	1	Sales	45,357	—	0.08%
			1	Accounts receivables	1,354,406	—	2.82%
		Coretronic(Suzhou)	1	Sales	3,040,494	—	5.46%
			1	Accounts receivables	40,521	—	0.08%
		Nano Precision (Suzhou)	1	Sales	291,080	—	0.52%
			1	Accounts receivables	1,737,155	—	3.62%
		Greendale	1	Sales	7,689,920	—	13.81%
			1	Accounts receivables	63,232	—	0.13%
		Coretronic Projection (Kunshan)	1	Sales	99,269	—	0.18%
			1	Sales	49,757	—	0.09%
		Wisdom Success (HK)	1	Sales	143,092	—	0.26%
		YLG Optotech	1	Accounts receivables	121,763	—	0.25%
			1	Sales	193,914	—	0.35%
		Coretronic Display (Suzhou)	1	Accounts receivables	382,836	—	0.80%
			1	Sales	736,120	—	1.32%
		Coretronic Optotech (Suzhou)	1	Accounts receivables	1,434,242	—	2.99%
			1	Sales	6,705,260	—	12.04%
1	Optoma Corporation	Optoma Technology	3	Accounts receivables	1,016,031	—	2.12%
			3	Sales	1,948,119	—	3.50%
		Optoma Europe	3	Accounts receivables	823,837	—	1.72%
			3	Sales	3,834,149	—	6.89%
2	Young Optics	Grace China	3	Other receivables	166,455	—	0.35%
			3	Accounts receivables	124,183	—	0.26%
			3	Sales	412,476	—	0.74%
		Aptek Optical	3	Accounts receivables	138,992	—	0.29%
			3	Sales	493,717	—	0.89%
3	Grace China	Young Optics	3	Accounts receivables	522,731	—	1.09%
			3	Sales	3,073,336	—	5.52%
		Young Optics(Kunshan)	3	Accounts receivables	140,895	—	0.29%
			3	Sales	453,073	—	0.81%
		Young Optics (BD)	3	Other receivables	177,370	—	0.46%
			3	Accounts receivables	396,849	—	0.73%
			3	Sales	220,303	—	0.40%

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	Accounts receivables	624,588	—	1.30%
			3	Sales	2,869,538	—	5.15%
		Young Optics (SuZhou)	3	Accounts receivables	66,981	—	0.14%
			3	Sales	278,038	—	0.50%
		Coretronic Optics (Kunshan)	3	Accounts receivables	121,865	—	0.25%
			3	Sales	581,996	—	1.05%
5	Dynamic Time	Optoma Corporation	3	Other receivables	522,155	—	1.09%
		Optoma Technology	3	Other receivables	170,593	—	0.36%
6	Optoma Technology	Optoma Europe	3	Sales	34,310	—	0.06%
7	Wisdom Success	Coretronic(Suzhou)	3	Accounts receivables	1,180,350	—	2.46%
			3	Sales	4,678,808	—	8.40%
8	Coretronic(Suzhou)	Coretronic Corporation	2	Accounts receivables	1,971,241	—	4.10%
			2	Sales	475,974	—	0.85%
		Wisdom Success	3	Accounts receivables	1,805,934	—	3.76%
			3	Sales	2,336,468	—	4.20%
		Coretronic System Engineering (Shanghai)	3	Other receivables	35,863	—	0.07%
		Coretronic Display (Suzhou)	3	Other receivables	291,299	—	0.61%
			3	Sales	51,065	—	0.09%
9	Vimax(Kunshan)	Coretronic Projection (Kunshan)	3	Sales	37,918	—	0.07%
10	Venture Orient	Coretronic Corporation	2	Other receivables	67,573	—	0.14%
11	Technology Service (Kunshan)	Coretronic Corporation	2	Sales	30,519	—	0.05%
12	Masterview	Young Optics (BD)	3	Other receivables	124,131	—	0.26%
13	Young Optics (SuZhou)	Grace China	3	Accounts receivables	38,840	—	0.08%
			3	Sales	92,923	—	0.17%
14	Great Pride	Coretronic Corporation	2	Other receivables	33,787	—	0.07%
15	Nano Precision (Suzhou)	Coretronic Corporation	2	Sales	57,214	—	0.10%
		Coretronic(Suzhou)	3	Accounts receivables	79,697	—	0.17%
			3	Sales	382,684	—	0.69%
		Great Pride (HK)	3	Accounts receivables	129,825	—	0.27%
			3	Sales	327,013	—	0.59%
		Coretronic Display (Suzhou)	3	Sales	81,021	—	0.15%
		Coretronic Optotech (Suzhou)	3	Sales	126,484	—	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)
16	Young Lighting Technology	Coretronic Corporation	2	Sales	38,901	—	0.07%
		Coretronic Projection (Kunshan)	3	Sales	317,451	—	0.57%
		YLG Optotech	3	Sales	286,005	—	0.51%
		Coretronic Display (Suzhou)	3	Sales	568,016	—	1.02%
		Champ Vision Display	3	Sales	94,738	—	0.17%
17	Bigshine	Coretronic Corporation	2	Other receivables	46,073	—	0.10%
18	Greendale	Coretronic Corporation	2	Other receivables	2,417,497	—	5.03%
		Coretronic Projection (Kunshan)	3	Other receivables	32,437	—	0.07%
		Coretronic Optics (Kunshan)	3	Other receivables	1,704,718	—	3.55%
19	Coretronic Projection (Kunshan)	Optoma China	3	Accounts receivables	756,145	—	1.58%
			3	Sales	1,463,293	—	2.62%
		Vimax(Kunshan)	3	Sales	68,281	—	0.12%
		Young Lighting Technology	3	Sales	38,397	—	0.07%
		Greendale	3	Accounts receivables	1,964,181	—	4.09%
			3	Sales	10,973,541	—	19.71%
		Young Green Energy	3	Sales	43,113	—	0.08%
		Coretronic Intelligent Cloud Service Corporation	3	Sales	60,831	—	0.11%
		Champ Vision Display	3	Accounts receivables	285,995	—	0.60%
			3	Sales	1,318,574	—	2.37%
		Coretronic Optics (Kunshan)	3	Accounts receivables	207,038	—	0.43%
			3	Sales	990,637	—	1.78%
20	Boom Power Electronics (Su Zhou)	Coretronic Projection (Kunshan)	3	Sales	69,137	—	0.12%
21	Coretronic (Ningbo)	Lead Bright (HK)	3	Sales	664,957	—	1.19%
		YLG Optotech	3	Other receivables	92,473	—	0.19%
		Coretronic Display (Suzhou)	3	Other receivables	986,690	—	2.05%
22	Nano Display (SuZhou)	Coretronic(Suzhou)	3	Sales	82,203	—	0.15%
		Coretronic Display (Suzhou)	3	Sales	46,472	—	0.08%
		Coretronic Optotech (Suzhou)	3	Sales	36,285	—	0.07%
23	Nano Display (Guangzhou)	Coretronic (Guangzhou)	3	Sales	34,291	—	0.06%
24	Wisdom Success (HK)	Coretronic Corporation	2	Other receivables	43,001	—	0.09%
		Coretronic(Suzhou)	3	Sales	143,149	—	0.26%
25	Bigshine (HK)	Coretronic Corporation	2	Other receivables	153,575	—	0.32%
		Core-Flex	3	Other receivables	131,614	—	0.27%

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)
26	Investdragon (HK)	Coretronic Corporation	2	Other receivables	44,537	—	0.09%
27	Lead Bright (HK)	Coretronic Corporation	2	Other receivables	159,297	—	0.33%
28	Coretronic Intelligent Cloud Service Corporation	Coretronic Corporation	2	Sales	34,923	—	0.06%
29	YLG Optotech	Coretronic Corporation	2	Accounts receivables	229,168	—	0.48%
			2	Sales	473,650	—	0.85%
		Young Lighting Technology	3	Sales	431,493	—	1.24%
		Coretronic Display (Suzhou)	3	Sales	40,523	—	0.07%
		Champ Vision Display	3	Accounts receivables	19,313	—	0.04%
			3	Sales	204,117	—	0.37%
30	Young Optics (BD)	Grace China	3	Accounts receivables	135,428	—	0.28%
			3	Sales	384,278	—	0.69%
31	Coretronic Display (Suzhou)	Coretronic Corporation	2	Accounts receivables	650,866	—	1.35%
			2	Sales	1,115,894	—	2.00%
		Wisdom Success	3	Accounts receivables	60,280	—	0.13%
		Nano Precision (Suzhou)	3	Sales	62,907	—	0.11%
		Young Lighting Technology	3	Sales	1,609,779	—	3.89%
		YLG Optotech	3	Accounts receivables	43,283	—	0.09%
			3	Sales	202,595	—	0.36%
		Champ Vision Display	3	Sales	78,904	—	0.14%
32	Coretronic Optotech (Suzhou)	Coretronic Corporation	2	Accounts receivables	1,524,362	—	3.17%
			2	Sales	2,069,922	—	3.72%
33	Champ Vision Display	Coretronic Corporation	2	Other receivables	33,006	—	0.07%
		Coretronic Projection (Kunshan)	3	Accounts receivables	103,716	—	0.22%
			3	Sales	327,817	—	0.59%
		YLG Optotech	3	Accounts receivables	60,087	—	0.13%
			3	Sales	81,572	—	0.15%
34	Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	3	Accounts receivables	1,547,994	—	3.22%
			3	Sales	10,729,277	—	19.27%

Note a: 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 b: Transactions are categorized as follows:

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

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

Note d: 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. For profit or loss items, cumulative balances are used as basis.

ATTACHMENT 6 : (Names, locations and related information of investee companies as of December 31, 2018) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main businesses activities	Initial Investment		Investment as of December 31, 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%	\$5,244,984	\$443,909	\$443,909	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 appliances	518,465	448,548	58,462,400	100.00%	982,937	296,031	285,092	Subsidiary
Coretronic Corporation	Young Optics Inc.	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics	574,658	583,798	43,072,586	37.76%	1,330,313	179,351	68,271	Subsidiary
Coretronic Corporation	Visicorp Limited	B.V.I.	Holding company	614,303	614,303	18,700	100.00%	11,009,246	841,121	841,121	Subsidiary
Coretronic Corporation	Sinofink Global Limited	B.V.I.	Holding company	34,100	34,100	980	100.00%	1,224,050	55,458	55,458	Subsidiary
Coretronic Corporation	Chung Tsen Investment Corp.	Miaoli County, Taiwan	Investing company for strategic purposes	692,696	692,696	127,099,664	100.00%	1,418,224	48,230	48,230	Subsidiary
Coretronic Corporation	Tecpoint Limited	B.V.I.	Holding company	1,156,668	1,156,668	36,522,900	78.06%	2,577,330	341,069	266,240	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%	232,103	21,977	21,958	Subsidiary
Coretronic Corporation	Young Lighting Limited	Samoa	Holding company	118,134	-	3,907,000	100.00%	(292,700)	164,919	32,590	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%	163,506	18,322	18,322	Subsidiary
Coretronic Corporation	Coretronic Venture Capital Corp.	Miaoli County, Taiwan	The investment activities of company's business	300,000	300,000	30,000,000	100.00%	301,529	2,292	2,292	Subsidiary
Coretronic Corporation	Chang Vision Display Inc.	Miaoli County, 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%	134,353	9,064	7,252	Subsidiary
Coretronic Corporation	uCare Medical Electronics Co., Ltd.	Miaoli County, 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%	50,628	(27,787)	(22,230)	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%	(11,397)	(34,611)	(34,611)	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%	27,619	(32,297)	(32,297)	Subsidiary
Coretronic Corporation	InnoSpectra Corporation	Hsinchu City, Taiwan	Engaged in R&D and marketing of near-infrared spectrum and corresponding solutions	48,000	48,000	4,800,000	80.00%	34,679	(16,638)	(13,310)	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	(Note a)	201,617	-	-%	-	184,702	184,702	Subsidiary

Note a : Young Lighting Technology was dissolution and merged into Coretronic Corporation in October 2018.

ATTACHMENT 6-1 : (Names, locations and related information of investee companies as of December 31, 2018) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main businesses activities	Initial Investment		Investment as of December 31, 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 171,171,593	USD 14,614,661	(Note a)	Associate
Visicorp	Wisdom Success	Cayman Islands	Holding company	USD 11,750,000	USD 11,750,000	11,750	100.00 %	USD 288,630,525	USD 25,037,480	(Note a)	Associate
Visicorp	Bigshine	Samoa	Holding company	USD 3,000,000	USD 3,000,000	3,000	100.00 %	USD 10,949,814	(USD 689,902)	(Note a)	Associate
Visicorp	Investdragon	Samoa	Holding company	USD 3,000,000	USD 3,000,000	3,000	100.00 %	USD 2,361,090	USD 6,702	(Note a)	Associate
Visicorp	Lead Bright	Samoa	Holding company	USD 4,700,000	USD 4,700,000	4,700	100.00 %	USD 29,395,043	USD 997,880	(Note a)	Associate
Visicorp	Elite View	Samoa	Holding company	USD 5,000,400	USD 5,000,400	5,000	100.00 %	USD 14,080,126	USD 1,097,645	(Note a)	Associate
Visicorp	Tecpoint	B.V.I.	Holding company	USD 5,665,000	USD 5,665,000	5,665,000	12.11 %	USD 13,015,262	USD 11,281,634	(Note a)	Associate
Wisdom Success	Wisdom Success (HK)	HK	Holding company	USD 18,000,000	USD 18,000,000	18,000	100.00 %	USD 166,298,499	USD 20,739,038	(Note a)	Associate
Wisdom Success	Lead Bright (HK)	HK	Holding company	USD 13,300,000	USD 13,300,000	13,300	73.89 %	USD 83,186,360	USD 3,821,832	(Note a)	Associate
Wisdom Success	Investdragon (HK)	HK	Holding company	USD 2,000,000	USD 2,000,000	2,000	40.00 %	USD 1,569,508	USD 11,136	(Note a)	Associate
Wisdom Success	Elite View (HK)	HK	Holding company	USD 7,999,600	USD 7,999,600	8,000	61.54 %	USD 22,529,514	USD 2,853,990	(Note a)	Associate
Wisdom Success	Bigshine (HK)	HK	Holding company	USD 5,000,000	USD 5,000,000	5,000	62.50 %	USD 14,049,846	(USD 476,974)	(Note a)	Associate
Bigshine	Bigshine (HK)	HK	Holding company	USD 3,000,000	USD 3,000,000	3,000	37.50 %	USD 8,429,908	(USD 476,974)	(Note a)	Associate
Investdragon	Investdragon (HK)	HK	Holding company	USD 3,000,000	USD 3,000,000	3,000	60.00 %	USD 2,354,263	USD 11,136	(Note a)	Associate
Lead Bright	Lead Bright (HK)	HK	Holding company	USD 4,700,000	USD 4,700,000	4,700	26.11 %	USD 29,394,990	USD 3,821,832	(Note a)	Associate
Elite View	Elite View (HK)	HK	Holding company	USD 5,000,400	USD 5,000,400	5,000	38.46 %	USD 14,080,031	USD 2,853,990	(Note a)	Associate
Sinolink	Mat Limited	Samoa	Holding company	USD 980,000	USD 980,000	980	100.00 %	USD 39,851,480	USD 1,842,677	(Note a)	Associate
Tecpoint	Great Pride	Samoa	Holding company	USD 11,800,000	USD 11,800,000	11,800,000	100.00 %	USD 78,737,353	USD 9,315,735	(Note a)	Associate
Tecpoint	Core-Flex	Cayman Islands	Holding company	USD 23,260,000	USD 23,260,000	213,260,000	94.36 %	USD 6,947,063	USD 441,788	(Note a)	Associate
Tecpoint	Nano Precision	HK	Holding company	USD 6,800,000	USD 6,800,000	6,800,000	100.00 %	USD 6,794,965	USD 201,663	(Note a)	Associate
Tecpoint	Nano Display	HK	Holding company	USD 7,800,000	USD 7,800,000	7,800,000	100.00 %	USD 14,866,878	USD 1,343,957	(Note a)	Associate
Great Pride	Great Pride (HK)	HK	Holding company	USD 11,800,000	USD 11,800,000	11,800	100.00 %	USD 77,599,085	USD 9,298,527	(Note a)	Associate
Nano Precision (Suzhou)	Nano Precision Taiwan Limited	Taiwan	Engaged in the design, production and marketing of general lighting application, electronic components and optical devices	300,000	-	30,000,000	100.00 %	RMB 67,013,488	RMB (20,696)	(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 December 31, 2018) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main businesses activities	Initial Investment		Investment as of December 31, 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 5,530,000	USD 5,530,000	5,550	100.00 %	486,264	40,370	(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	61,867	70,815	4,538,317	3.97 %	139,858	179,351	(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 %	374,681	3,007	(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 %	3,254	13,225	(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 10,568,464	USD 11,281,634	(Note a)	Subsidiary
Tsen Ming Investment	Young Optics	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics	50,859	63,769	2,708,886	2.38 %	85,190	179,351	(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 %	14,386	13,225	(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 %	98,613	USD 528,265	(Note a)	Associate
Young Optics	Masterview	B.V.I.	Holding company	USD 6,000,000	USD 6,000,000	6,000,000	100.00 %	1,877,649	40,067	(Note a)	Associate
Young Optics	Young Optics Inc.	USA	Operating maintenance services business	USD 50,000	USD 50,000	50,000	100.00 %	211	(129)	(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 %	84,141	10,717	(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 %	45,702	7,617	(Note a)	Associate
Masterview	Best Alpha	Samoa	Holding company	USD 1,000,000	USD 1,000,000	1,000,000	100.00 %	USD 21,484,085	USD 1,574,253	(Note a)	Associate
Masterview	Grace China	Cayman Islands	Holding company	USD 8,156,458	USD 8,156,458	8,156,458	100.00 %	USD 36,606,841	USD 763,785	(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 1,809,653)	(USD 1,804,663)	(Note a)	Associate
Masterview	Young Optics Europe GmbH	Germany	Manufacturing and selling of 3D printer	EUR 18,750	EUR 18,750	-	75.00 %	USD 108,615	(USD 10,074)	(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 1,809,653)	(USD 1,804,663)	(Note a)	Associate
Optoma Corporation	Dynamic Time	Cayman Islands	Holding company	USD 14,122,230	USD 14,122,230	14,856	100.00 %	1,851,006	USD 5,264,767	(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 December 31, 2018) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main businesses activities	Initial Investment		Investment as of December 31, 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 27,326,664	GBP 3,653,651	(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 5,199,266	(USD 34,016)	(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 4,446,962	USD 276,230	(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 330,021	(HKD 309,329)	(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 1,866,254	EUR 1,004,543	(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 304,300	EUR 126,839	(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 214,825	NOK 422,091	(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 429,275	EUR 101,625	(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 347,172	EUR 71,121	(Note a)	Associate
Young Lighting Technology	Young Lighting Limited	Samoa	Holding company	-	118,134	-	-	-	132,329	(Note a)	Associate
Young Lighting Limited	Young Lighting (HK)	HK	Holding company	USD 847,000	USD 847,000	847	100.00 %	USD 234,342	USD 5,026	(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 254,085	USD 316,743	(Note a)	Associate
Young Lighting Limited	Brightbridge	Samoa	Holding company	USD 1	USD 1	29,500,000	100.00 %	(USD 5,745,183)	USD 3,015,123	(Note a)	Associate
Young Lighting Limited	Crystal Word	Samoa	Holding company	USD 1	USD 1	22,258,000	100.00 %	(USD 4,272,988)	USD 2,274,912	(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 %	9,433	USD 537,313	(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 307,117	USD 537,313	(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 December 31, 2018)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Main businesses 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 December 31, 2018	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized	Carrying value as of December 31, 2018	Accumulated inward remittance of earnings as of December 31, 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)	\$ 438,222	100.00%	\$ 438,222	\$ 4,792,513	\$ -
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)	2,056	100.00%	2,056	21,752	-
Coretronic Optics (Kunshan)	Production and sales of projector module products and spectrometer	RMB10,000,000	Indirect investment from the Mainland China subsidiary (CPC)	-	-	-	-	91,199	100.00%	91,199	318,470	-
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)	61,641	100.00%	61,641	1,199,804	-
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)	532,064	100.00%	532,064	3,968,208	-
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	USD10,800,000	Indirect investment from the third region (Wisdom Success HK)	-	-	-	-	11,020	100.00%	11,020	303,218	-
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)	-	-	-	-	86,220	100.00%	86,220	785,164	-
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)	(17,864)	100.00%	(17,864)	312,903	-
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 (Zoventdragon 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 provide related after-sales maintenance services	1,547,564 (USD51,758,000)	Indirect investment from the third region (Brightbridge and Crystal Word)	88,972 (USD2,967,283)	-	-	88,972 (USD2,967,283)	160,077	100.00%	160,077	(305,100)	-
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)	116,324	100.00%	116,324	3,307,321	-
Young Bright Optical (Suzhou)	Research and development, processing, manufacturing backlight optical film products	1,178,240 (USD36,000,000)	Indirect investment from the third region (Core-Flex)	759,827 (USD23,260,000)	-	-	759,827 (USD23,260,000)	14,019	100.00%	14,019	366,562	-
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)	275,737	100.00%	275,737	2,285,560	99,026 (USD3,215,142)
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)	-	-	-	-	4,513	100.00%	4,513	97,850	-
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)	87,281	100.00%	87,281	1,124,447	-
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)	6,108	100.00%	6,108	208,673	63,605 (USD2,065,438)
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)	40,952	100.00%	40,952	456,616	-
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	9,220	51.00%	4,702	7,788	-
Coretronic System Engineering (Shanghai)	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	16,878	100.00%	16,878	9,433	-
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	15,912	100.00%	13,728	98,594	-
Accumulated investment in Mainland China as of December 31, 2018 (Note a), (Note b)			Investment amounts authorized by Investment Commission, MOEA (Note b) (Note c)		Upper limit on investment							
\$3,612,114 (USD 110,572,776)			\$3,396,243 (USD 110,572,776)		\$13,323,128							

Note a : To use historical currency rates.

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

Note c : To use the currency rate 1 USD =30.715 NTD as of December 31, 2018.

ATTACHMENT 7-1 (Investment in Mainland China as of December 31, 2018)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Main businesses 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 December 31, 2018	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note a)	Carrying value as of December 31, 2018 (Note a)	Accumulated inward remittance of earnings as of December 31, 2018
					Outflow	Inflow						
Young Optics (Kunshan)	Researching and developing, manufacturing of optics engine and related optics electronic equipment	\$727,119 (USD 22,200,000) (Note d and Note e)	Indirect investment from the third region (Best Alpha and Grace China)	\$164,450 (USD 5,000,000)	\$ -	\$ -	\$164,450 (USD 5,000,000)	\$67,038 (USD 2,202,457)	100.00%	\$67,038 (USD 2,202,457)	\$1,340,328 (USD 43,637,586)	\$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 equipment	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)	31,021 (USD 1,034,002)	100.00%	31,021 (USD 1,034,002)	330,815 (USD 10,770,478)	1,328,957 (USD 31,295,415 and RMB 80,635,502) (Note b and Note f - Note i and Note l)

Accumulated investment in Mainland China as of December 31, 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.

Note l : Best Alpha Investments Limited received cash dividends amounted to USD 6,531,714 for distribution profits from Young Optics (Suzhou) in 2018 and had remitted it back to Young Optics.

ATTACHMENT7-2(Investment in Mainland China as of December 31, 2018)

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

Investee company	Main businesses 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 December 31, 2018	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized(Note a)	Carrying value as of December 31, 2018	Accumulated inward remittance of earnings as of December 31, 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)	\$ 8,506 RMB 1,887,100	100.00%	\$ 8,506 RMB 1,887,100	\$ 94,028 RMB 21,010,398	\$ -

Accumulated investment in Mainland China as of December 31, 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)	\$589,762

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 China 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 December 31, 2018)
(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 at fair value through profit or loss-current	Forward foreign exchange contract	Buying USD	From Jan to Apr, 2019	USD 343,500,000	\$ 14,150	\$ 14,150	Note a
Coretronic Corporation	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Selling USD	From Jan to Feb, 2019	USD 250,000,000	22,382	22,382	Note a
Coretronic Corporation	Hedging derivative financial liabilities-current	Forward foreign exchange contract	Buying USD	Feb, 2019	USD 20,000,000	(2,402)	(2,402)	Note a
Coretronic Corporation	Hedging derivative financial assets-current	Forward foreign exchange contract	Selling USD	Feb, 2019	USD 20,000,000	1,487	1,487	Note a
Coretronic (Suzhou)	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Selling USD	From Jan to Apr, 2019	USD 47,000,000	509	509	Note b
Nano Precision (Suzhou)	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Selling USD	From Jan to Feb, 2019	USD 8,000,000	2,669	2,669	Note c
Coretronic (Ningbo)	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Selling USD	Jan, 2019	USD 5,000,000	595	595	Note d
Coretronic Optotech (Suzhou)	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Selling USD	Jan, 2019	USD3,000,000	482	482	Note e
Coretronic Display (Suzhou)	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Selling USD	From Jan to Mar, 2019	USD 9,000,000	791	791	Note f
Optoma Corporation	Financial assets at fair value through profit or loss-current	Forward cross currency contract	—	From Jan to Feb, 2019	USD 8,000,000	107	107	Note g
Optoma Corporation	Financial liabilities at fair value through profit or loss-current	Forward cross currency contract	—	Mar, 2019	USD 22,500,000	(2,360)	(2,360)	Note g
Optoma Europe	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Sell GBP/Buy USD	From Jan to Feb, 2019	USD 12,000,000	2,591	2,591	Note h
Optoma Europe	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Buy GBP/Sell EUR	Feb, 2019	EUR 7,000,000	1,278	1,278	Note h
Optoma Europe	Financial liabilities at fair value through profit or loss-current	Forward foreign exchange contract	Sell GBP/Buy USD	Feb, 2019	USD 5,000,000	(1,742)	(1,742)	Note h
Optoma Europe	Financial liabilities at fair value through profit or loss-current	Forward foreign exchange contract	Buy GBP/Sell EUR	Jan, 2019	EUR 8,500,000	(3,570)	(3,570)	Note h
Optoma USA	Financial assets at fair value through profit or loss-current	Forward foreign exchange contract	Sell CAD/Buy USD	From Jan to Apr, 2019	CAD 2,500,000	1,893	1,893	Note i
Dynamic Time	Hedging derivative financial assets-current	Forward foreign exchange contract	Sell GBP/Buy USD	Jan, 2019	GBP 5,500,000	10,126	10,126	Note j

Note a : Coretronic Corporation entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$294,105 thousands for the year ended December 31, 2018.

Note b : Associate Coretronic (Suzhou) entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$61,237 thousands for the year ended December 31, 2018.

Note c : Associate Nano Precision (Suzhou) entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$8,361 thousands for the year ended December 31, 2018.

Note d : Associate Coretronic (Ningbo) entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$18,335 thousands for the year ended December 31, 2018.

Note e : Associate Coretronic Optotech (Suzhou) entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$433 thousands for the year ended December 31, 2018.

Note f : Associate Coretronic Display (Suzhou) entered into forward cross currency contracts and acquired realized profit amounted to NT\$0 thousands for the year ended December 31, 2018.

Note g : Subsidiary Optoma Corporation entered into forward cross currency contracts and acquired realized profit amounted to NT\$51,319 thousands for the year ended December 31, 2018.

Note h : Associate Optoma Europe entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$26,394 thousands for the year ended December 31, 2018.

Note i : Associate Optoma USA entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$2,015 thousands for the year ended December 31, 2018.

Note j : Associate Dynamic Time entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$6,907 thousands for the year ended December 31, 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 year ended December 31, 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				December 31, 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 200,000,000	-	-	RMB 200,000,000	RMB 1,954,254	-	-
Young Optics (Kunshan)	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 1,432,939	-	-

Note : To be recognized in interest revenue.