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2018
Annual Report

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Chapter 1 Letter to the Shareholders

Dear Shareholders,

I. Introduction

For the fiscal year of 2018, Coretronic reported a consolidated sales revenue of NT\$55,673 million, up 5% YoY. Consolidated operating income totaled NT\$2,302 million with a pre-tax income of NT\$2,867 million. Net income was reported at NT\$2,128 million. Net income attributable to equity holders of the parent Company was NT\$2,020 million up 15% YoY, and the EPS in 2018 was NT\$4.65.

II. Business Report for 2018

- (I) The sales volume of each major product of the Company for the year 2018 is as follows

Product	2017	2018	Diff.
Energy Saving Products (unit/pc)	47,589,426	47,620,992	0.07%
Visual Solutions Products (unit)	1,333,641	1,309,517	(1.81%)

- (II) Budget Execution: The Company is not required to publish financial forecasts for the year 2018.

- (III) The financial income and expenditure and profitability analysis are listed below:

Item	Year		
	2017	2018	
Financial structure	Liabilities to assets ratio (%)	54.74	49.48
	Long-term capital to property, plant, and equipment ratio (%)	329.23	347.73
Solvency	Liquidity ratio (%)	158.37	172.37
	Current ratio (%)	127.79	136.31
	Interest coverage ratio	13.54	12.70
Profitability	Return on assets (%)	3.71	4.65
	Return on equity (%)	8.11	9.73
	Net income before tax to paid-up capital ratio (%)	51.16	66.00
	Net margin (%)	3.21	3.82
	Earnings per share (dollar) / average weighted number of outstanding shares	4.03	4.65

(IV) Research and Development Status

Reflecting to 2018, in response to the ultra-thin, narrow edged, high-resolution, and energy-saving displays on the market, the Company continued to develop its core technology of light guide plates, display technology, and system integration technology to enhance product competency. In terms of injection-molded light guide plates, Coretronic introduced new IML light guide plates with special optical components to further increase at least 25% of efficiency compared to the traditional Laser pattern optimize LGP. It can be used in high dynamic range Imaging (HDR) module of 1.5D Local Dimming below 17.3” for NB application. The Company also kept advancing the technology in hot embossing light guide plates, successfully developing PC RS-IML in hybrid mini-structure that produces the same efficiency as the PMMA IML light guide plates. This technology features low internal stress, no need for mold, and high capacity. The thickness can be reduced to below 0.3T, which is suitable for ultra-narrow edge display. In the research and development of HDR, 1.5D Local Dimming and backlight module scanning were developed and furthered implemented in gaming PC and monitor display. For thin 2D Local Dimming demand, the Company continued to develop 512~1152 Local Dimming with 3~7mm OD (Optical Density) by using optical technology. Special diffuser printing techniques were utilized to produce monitor display products that are thin and cost-effective. The OD1.8 (overall LCM module < 6mm) that incorporates exclusive Lens LGP design was also optimized.

In addition, the Company developed the fifth-generation e-Privacy display technology with switchable viewing angles to achieve lower power consumption and better privacy performance. It utilizes the core technology of a light guide plate, backlight and special diaphragm technology rather than traditional louver film, which is inconvenient and compromising for picture contrast quality. The product’s slim, narrow border and embedded touch feature are also co-design with customers. In automotive applications, exhaustive studies of LCMs for head-up displays through Picture Generation Unit have led to the development of effective multi-optical lenses with specific vertical viewing angles to improve visual quality, reduce volume and produce higher efficiency. Following future trends for high contrast display, the Company has successfully developed the one-piece optical lens with only a 4mm OD and a 2D dynamic dimming LCD display, with customer collaboration. Semi-system integration is another new business worth exploring. To provide one-stop solutions with better yield rates, product quality and niche designs, we have successfully developed an LCM touch module to brand customers for various applications.

Through extending the original core competence, we are developed a seamless, globally leading technology featuring special LCD display optical components for the border, so the borders of two neighboring LCD displays can be reduced to less than 0.5mm. The image becomes complete, offering a continuous distortion-free video wall without a conventional black seam. It also offers a user-friendly plug-and-play software design which uses a playback and layout management program to make public information displays smart and easy to use. In addition to using special optical components, it creates an immersive gaming environment by connecting 2~3 LCD displays. This has been adapted to a product by a well know PC brand. A 55 inch dual public information display with less than

2cm thickness can play two different video footages or pictures. Another ultra-high brightness technology makes the displays sun-light readable. Interchangeable LCD All-in-One POS (Point of Sales) product lines have also seen extraordinary achievement. In the medical display series, Coretronic has also developed large-size surgical displays which can support multi-signal source inputs. The unification of the image information on the screen provides patient's physiological and medical information for physicians to get a comprehensive, quick review on the monitors. The Smart Home product team has also developed interactive Smart Mirror with mirrors, voice information streaming, clocks and other multi-functional smart home features so that the Company's core technology can be extended to applications in different fields. Coretronic will continue to develop the core capabilities in the display-related technology, to provide customers with fast, low-cost, high-quality and various semi-system and system products, in order to create higher value for the customers.

Visual solution products have not only made advancement in the innovative applications field, but the products have also been actively building on core technologies for key components and key modules. We are constantly in pursuit of technological advancements and breakthroughs in our product.

The first smart 4K LED projector with voice recognition was launched in mid of 2018, and it immediately became the benchmark on the market. Laser light source products continue to lead the projector industry. The performance and cost competitiveness of our projectors have increased due to the continuous optimization of dual-color laser light source ultra-short throw projectors. Toward the end of 2018, mainstream laser light source projectors began shipment and caught onto the rapid growth trend in the laser light source market. The smart home 4K ultra short-throw projector began mass productions at the beginning of 2018. This is initiated a new trend of transformation from home projections to home theater. As a result, Coretronic has achieved a very high market share.

In the education and corporate market sectors, Coretronic understands the underlying needs for interactive learning and the demands for intelligent offices for corporations. Our solution is achieved through the use of built-in and external touch screens. The goal is to retain more than 50% of China's laser projector market and maintain the number one worldwide position in shipment status.

ProAV products are in continued promotion of single-chip DLP products in 2018. The development of ProAV products headed towards higher brightness and high resolution 4K laser product extended to applications in staging and rental. Furthermore, the potential of approaching special applications has been made possible in simulators. To enhance the outdoor application experience, the development of laser light source with related customers can push products to new levels of brightness.

In 2018, key components and modules have achieved leading results, parking stronger competitive power and momentum to the Coretronic as a whole. In the development of the laser-based key component, the overall efficiency of the inorganic phosphor wheel has improved through optimization of thermal resistance, optimization compactness and transmittance of the inorganic glue. In addition, a special surface process is used to improve the surface property of the phosphor layer. This improves the thermal conductivity, excitation and reflective efficiency. Throughout the development of the phosphor wheel technology and material, Coretronic has retained key manufacturing technology and cloud coating control

system for future intelligent production lines.

In order to enhance the brightness of the projector and maintain a small size and low noise design, the R&D team is also working to improve the performance of the cooling module, water cooling system and cooling fan. The development of intelligent cooling system increases the lifespan of the solid state lighting projectors. This detection mechanism will increase the overall safety of the projector. A new generation of high efficiency power supplies is adapting semi-digital technology to reduce power consumption and electromagnetic interference of parts through the use of design and simulation technology.

The Company will continuously develop core technologies for various key components and modules. These developments will be applied efficiently to high energy density and high brightness laser projector models. These key components are essential for improving the performance of laser projectors, thus allowing the Company to maintain a leadership position in the laser projections market. Moreover, future development priorities will focus on high contrast, wide color gamut, and color saturation, allowing the pursuit of new laser projector applications.

In response to its sustainable development strategy, Coretronic will continue to connect with high growth potential industries. In addition, the Company will further develop a number of different technologies and new products. First, the Company integrated core technologies along with the appropriate use of external production resources to complete the development of the Calibre image processor embedded in the All-in-One LED display. At present, two LED display products are expected to be mass produced in the first quarter of 2019 (130" P1.5 and 118" P1.8) which boast high reliability, quick installation, and user-friendliness.

Coretronic group has developed the mobile spectrometer solution based on TI DLP technology. This technology is applied to both commercial and consumer applications, including the "Counterfeit Drug" quick screening solution with the reflective type near-infrared spectrometer being recognized by WHO, the petrochemical industry production process inspected by fiber-optic spectrometer solution, edible oil products and the milk quality screening application using the transmissivity type spectrometer. A new product extend the wavelength range from 900-1700nm to 1300-2200nm was designed and approved to expanding the scope of detection applications with the distinguished advantages of small size and portability. This will comprehensively complete the edge-detecting devices and lay the foundation for entering the cloud business in the near future.

In the development of drones, Coretronic integrated fleet management, a robotic operation system (ROS), and self-developed closed source flight control with artificial intelligence to successfully provide an intelligent security drone solution. The drone business model is extended from ODM to solution integration and service applications. Autonomous Drone (+AI) is the core technology in developing innovative technologies such as AI detection, identification, dynamic obstacle avoidance, and VIO 3D SLAM.

The security drone hardware platform was developed in cooperation with strategic partners from Silicon Valley. The hardware platforms are currently being mass produced for field security for the top 500 North American corporations. Furthermore, the smart city subsidy program has been enacted by the Ministry of Economic Affairs' in Taiwan (R.O.C). The autonomous drone proof of concept

verification is in progress, and it is currently also in exploration for a service-based business model. The intelligent security drone program won the "2019 Smart City Innovation Application Award" from the Taipei Computer Association.

In addition, Coretronic development of artificial intelligence, deep learning, computer vision, data science, Internet of Things, and cloud computing, allows the business model to expand into the smart retail and smart health businesses. In smart retail, Coretronic has exclusively established a recommendation system, virtual shelf, customer system and a skin analysis and electronic label solution. All of these systems have won the favor of several leading retail customers in Taiwan, implementing into retail stores. In smart health, immersive platform technology and solutions have been developed. This technology has also been successfully imported into the Asia Pacific area and has already expanded into gym chains. The product can simultaneously collect data, analyze data, and apply and add value. It cooperates closely with customers, industries, and academics through a comprehensive business model to branch into unique fields of data analysis for a data-based service platform.

III. Summary of Business Plan for 2019

Looking forward to 2019, the Company's operations are planned based on the following strategies:

- (I). Continuous profitable business model and transformation of product competitiveness, promoting efficiency and product quality and creating profits through lean and intelligent manufacturing.
- (II). Strengthening the cooperation with strategic supplier partners and quality customers to consolidate competitive advantages and increase global market share.
- (III). Mastering core technologies and key components, strengthening the integration of optical and electrical systems, system design and application capabilities, and providing total solutions for innovative display systems.
- (IV). Focusing on research and development of high value-added products and various visual imaging solutions, and expanding the development of intelligent service solution platforms such as public information display, cloud big data analysis, and intelligent interaction to increase growth momentum and drive future growth.

IV. Future Development Strategies

Moving forward, Coretronic will adhere to its mission as a leader in the digital display system technology sector, continue to develop innovative display solutions and aim to implement Image Recognition, AI and Cloud Services as the new focus directions. The specific development strategies are as follows:

- (I) An intense development optical core technology to extend the cross-application of optical components, system products, and sub-system products to increase product added value and price competitiveness and consolidated a global competitive edge in the display and imaging technological fields.
- (II) In the backlight module technology, the Company continues to develop all kinds of new edge type of light guide plates, direct-type light guide lenses, and special

optical control diaphragms. We continuously reduce the thickness, border width, optical films and usage of LED for the backlight modules to increase optical efficiency and develop high-value-value applications such as gaming, tablets, notebooks, industrial monitors, car head-up displays and touch screens that are thin, small, energy efficient, privacy protecting and high dynamic range imaging display monitors for medical fields, gaming purposes, AIO monitors, thin and smart high-end televisions, and smart home display module.

- (III) Due to changes in the market business model and customer demand, product development has been evolved away pure backlight module shipments to semi-system and integrated system products designed and manufactured in combination with tablet / notebook / car monitors, head-up displays, and TV outer parts. This move aims to provide the best possible design, production, and global after-sales services for Brand Name / SI and panel customers.
- (IV) Following the trend of 4K resolution, Coretronic will release more 4K products with smart function and SSI light sources to provide customers with more and better choices. Meanwhile, mainstream models will also be taken on along with SSI solution, which will bring more growth momentum to Coretronic. Embedded system products will keep growing this year and they also show potential via integration with customers' applications. Our Laser TV 4K model platform was established last year, and it received positive market feedback. We will keep utilizing this competitive platform to enlarge our business scope and market share. In light of the AR engine, we are continuously targeting compact size, scaling up, wide field of view, and high resolution. Through collaborating with different customers who have different domain know-how, we expect to create our own key position in the AR eco system.
- (V) Grounded on core technology, we will continuously optimize SSI products. A display platform will be accomplished which encompasses a full range of SSI, UST, 4K and interactivity product lineups. Additionally, we will also strengthen intelligent connection capabilities for integration with different market requirements. This is planned in hopes of delivering more immersive total projection solutions to different applications (education, corporate, public display, and entertainment). Meanwhile, we will also cooperate with our partners to design embedded elements in various forms to different end product solutions.
- (VI) We aim to develop more optimized high brightness and high-resolution products to expand our business in the commercial large venue niche market. Through the tightly integrated system software and hardware of the commercial display platform, we are able to enhance value by offering our customers and partners total display solutions.
- (VII) We intend to develop the digital service platform by combining AI, deep learning, computer vision, internet of things, and cloud-based computing to step into target markets of smart retail and smart health with the service business model. In the meantime, the Company will focus on developing relevant core technologies that integrate sensors, artificial intelligence, and robotics, striving for research, design and development of security control, security drone software and hardware platform programs in developing the drone intelligence program and exploring collaboration opportunities with security control service providers and brand vendors.
- (VIII) By utilizing cutting-edge information technology, we hope to execute an overall plan for the Group's resource allocation and the assurance of information security to promote the integral efficiency of the organization. Another goal is to define information and resources for business operations to provide an integrated business information management platform. This platform will design, plan, and

execute cloud-infrastructure, digital, and IOT platforms and apply to expedite the expansion of the Group's new businesses.

- (IX) To meet corporate business needs, low-cost funding is arranged to sustain operation growth and long-term development strength.

V. Impact of External Competitive Environment, Regulatory Environment and Overall Operating Environment

In terms of the external competitive environment, IHS Markit, a market research organization, claims that due to the China-US trade wars, various research units have lowered the estimated global GDP growth for 2019. The overall market investment and consumer demand have grown weak, affecting the market supply and demand situation of the flat panel display industry. In 2019, the demand for panels was about 228 million square meters, and the annual growth rate was reduced to 6.4%. This is the first time in four years that the annual growth rate of demand has declined. From the supply side, following the mass production of BOE's 10.5 generation in 2018, the 11th generation plant of CSOT in Shenzhen will also go into production in 2019. After considering these new production capacity, it is estimated that panel supply will increase by 11% in 2019, which is much higher than the demand growth rate of about 6.4%. In other words, the market will be seriously oversupplied in 2019. Major applications such as LCD TVs, monitors, portable computers and smart phones are moving toward larger sizes, IHS Markit pointed out, but the overall panel shipments are expected to slow down in 2019, and this low tide in the LCD cycle is expected to continue into 2021. In order to respond to the rapid changes in the industry's competitive environment and the increasing demand for panel production capacity and application products in China, Coretronic's Energy-Saving Business Group will continue to improve the development of various types of light guide plates, light guide lenses and special optical films in order to grasp the business opportunities. The goal is developing high-value application display products such as game consoles, tablets, notebook computers, industrial monitors, car head up displays, touch screens, high-end monitors for medical and gaming purposes, AIO monitors, thin and smart high-end TVs, smart home display modules, etc., that are compact, energy-saving, protects privacy and offers high dynamic range imaging (HDR), aiming at higher profits and value as well as stable growth.

According to market survey data, the number of projectors shipped in 2018 was about 7.71 million units. Looking forward to 2019, the market survey predicts that the overall market will experience a small-scale growth. 8 million projectors, including laser TVs, will be shipped of which 4K/UHD, solid-state light source and high-end applications will continue to grow. Coretronic will continue to optimize the overall competitiveness of its imaging products based on its core technology. In the mainstream models, we will provide more intelligent 4K projectors, embedded modules and laser TVs in response to the gradual maturity of solid-state light source products and the

market to expand the applications and market share. For commercial applications, the Company will continue to optimize laser products, complete a laser-based, ultra-short throw, 4K UHD and interactive product line of laser display platforms, while strengthening application integration and intelligent connectivity to create a niche. Our hope is to establish an industrial value chain platform and an intelligent business ecosystem with imaging products as the main axis.

As far as the regulatory environment is concerned, the Company complies with the applicable principles of International Financial Reporting Standards (IFRSs), Securities and Exchange Act and other relevant corporate governance regulations. Relevant supporting measures are integrated and implemented to achieve the ultimate goal of compliance.

As for the overall business environment, according to estimates by the International Monetary Fund (IMF), the global economy faces many risks, including increased trade tensions, UK's non-deal Brexit and the worse than expected slowdown in China's economy. The global economic growth rate was again lowered by 0.2% to 3.5%. The economic growth of the world's two largest economies, the United States and China, was revised down in 2019 due to trade wars. The United States fell from 2.7% to 2.5%, and China from 6.4% to 6.2%. On the other hand, growth in the Eurozone is slowing down, while emerging markets and low-income economies are threatened by fluctuations in exchange rate, rising borrowing costs and capital outflows.

Looking forward to 2019, in the face of the loss of expansion momentum of international economic growth, the management team of the Company will unite all employees to enhance operational performance with proactive and innovative attitude and teamwork. The professional management takes on the mission to achieve a foundation in technology and sustainable operations, as well as pursuing the best interests of all shareholders and employees while fulfilling the responsibilities of a social citizen. We are grateful to your support over the years, and we would like to ask you to continue to give us your support and feedback.

I wish you all the best.

Sincerely yours,

Chairman : Wade Chang

Chapter 2 Company Profile

I. Date of Founding: June 30th, 1992

II. Company History

- 1992.06 Established in the Hsinchu Science Park with paid-in capital of NT\$100 million.
- 1992.10 Completed the development and production of LCD backlight modules.
- 1993.04 Completed the development and production of LCD displays.
- 1995.03 Established Nano Precision Co., Ltd. in the Hukou Industrial Zone for the LGP production of LCD backlight panels.
- 1995.10 Launched the single panel LCD projector.
- 1996.04 The EzPro500 LCD project won the Taiwan Excellence Label from the Bureau of Foreign Trade, Ministry of Economic Affairs.
- 1997.04 The Securities and Futures Commission of the Ministry of Finance approved the public offering of stock.
- 1997.09 Passed the ISO9002 quality certification.
- 1998.12 The construction of the plant on Li Hsing Road in Hsinchu Science Park was completed.
- 1999.01 The stock started trading on the Taipei Exchange.
- 1999.06 Mass production of the world's first DLP projector.
- 2000.07 Optoma Display(Kunshan) was established in Kunshan, specializing in the production and manufacturing of products relevant to flat panel displays.
- 2001.02 Issued overseas unsecured convertible bonds with a total of US\$23 million.
- 2001.12 Issued domestic unsecured convertible bonds with a total of NT\$1.4 billion.
- 2002.01 Founded Optoma Corporation specializing in marketing the Company's own brand, as well as integrating the marketing subsidiaries in various regions such as the United States, Japan, Europe and Hong Kong.
- 2002.02 Established Young Optics Inc in Hsinchu Science Park, specializing in the manufacturing of optical components.
- 2002.09 Coretronic (Suzhou) was established in Suzhou, engaging in the production of LCD backlight modules.
- 2003.05 Issuance of domestic secured corporate bonds with a total of NT\$500 million.
- 2003.07 The factory at Jhunan Science Park was completed and put to use.
- 2004.03 Nano Precision (Suzhou) Co., Ltd was established in Suzhou to produce light guide plate.
- 2004.06 Young Lighting Technology Inc. was established in the Hukou Industrial Park, specializing in manufacturing optical components.
- 2004.07 The construction of the plant in Tainan Science Park was completed.
- 2005.05 Suzhou Young Ray Optical, Coretronic (Shanghai), Coretronic (Nanjing), and Coretronic (Ningbo) were established in succession for manufacturing of LCD backlight module and relevant optical components.
- 2005.06 Coretronic Projection (Kunshan) Co., Ltd was established in Kunshan for the production and manufacturing of projectors and relevant optical components.
- 2005.05 Issuance of overseas unsecured convertible corporate bonds with a total of USD\$ 80 million.

- 2005.10 Invested in Matritek Inc. which engaged in the production of power supplies and electronic components. The name was changed to Young Green Energy Co. in May 2009.
- 2006.05 Core Flex Optical (Suzhou) was established in Suzhou, engaging in the research and development, processing and manufacturing of LCD modules and optical components. It was renamed as Young Bright Optical (Suzhou) Co. Ltd in November 2011.
- 2007.01 Young Optics Inc. was listed in Taiwan Stock Exchange.
- 2007.07 Suzhou Nano Display Co., Ltd. was established in Suzhou for the research and development, manufacture and sales of backlight module components.
- 2007.11 Coretronic (Guangzhou) Co., Ltd. was established in Guangzhou for the research and development, manufacture and sales of backlight module components.
- 2008.06 Guangzhou Nano Display Co., Ltd and Nano Precision (Nanjing) Co., Ltd. were established in China for the research and development, manufacture and sales of backlight module components.
- 2008.06 Having taken the Group's interests into consideration, investment was made in Coretronic Display Solution Corp. for the research and development, manufacturing and sales of various displays, monitors and TV products.
- 2009.01 Optoma Corporation, won the "Taiwan Excellence Design Product Award" from the Ministry of Economic Affairs.
- 2010.03 Coretronic won CSR award from the 6th Global Views Monthly CSR Awards for carrying out the responsibilities as a corporate citizen.
- 2010.04 Coretronic System Engineering Limited was established for integrating multimedia.
- 2010.06 Given the "Employment Creation Award" by the Executive Yuan for complying with the employment expansion policy.
- 2010.12 Founded the Coretronic Culture and Arts Foundation to promote light and shadow as well as art creation.
- 2010.12 The Company's joint venture company, Young Lighting Technology Inc., collaborated with Gunze from Japan to set up YLG Optotech Limited, specializing in products such as capacitive touch panels.
- 2011.03 The Company has established Coretronic Venture Capital Co., Ltd. to handle the Group's investment.
- 2011.11 Taipei Exchange awarded Coretronic the first "Excellent Market Revenue" and "Excellent Sustainability" awards amongst the listed companies.
- 2012.01 To consolidate the Group's resources and enhance operational efficiency, Young Lighting Corporation, Nano Precision Corporation and Coretronic Display Solution Corporation were merged into Young Lighting Technology Inc.
- 2012.06 The Company received the A+ rating in the 9th information disclosure evaluation.
- 2012.08 Won the Corporate Citizen Award in the large enterprise category from the Commonwealth Magazine.
- 2012.09 Won the TTQS Silver Award from the Occupational Training Council of the Executive Yuan.

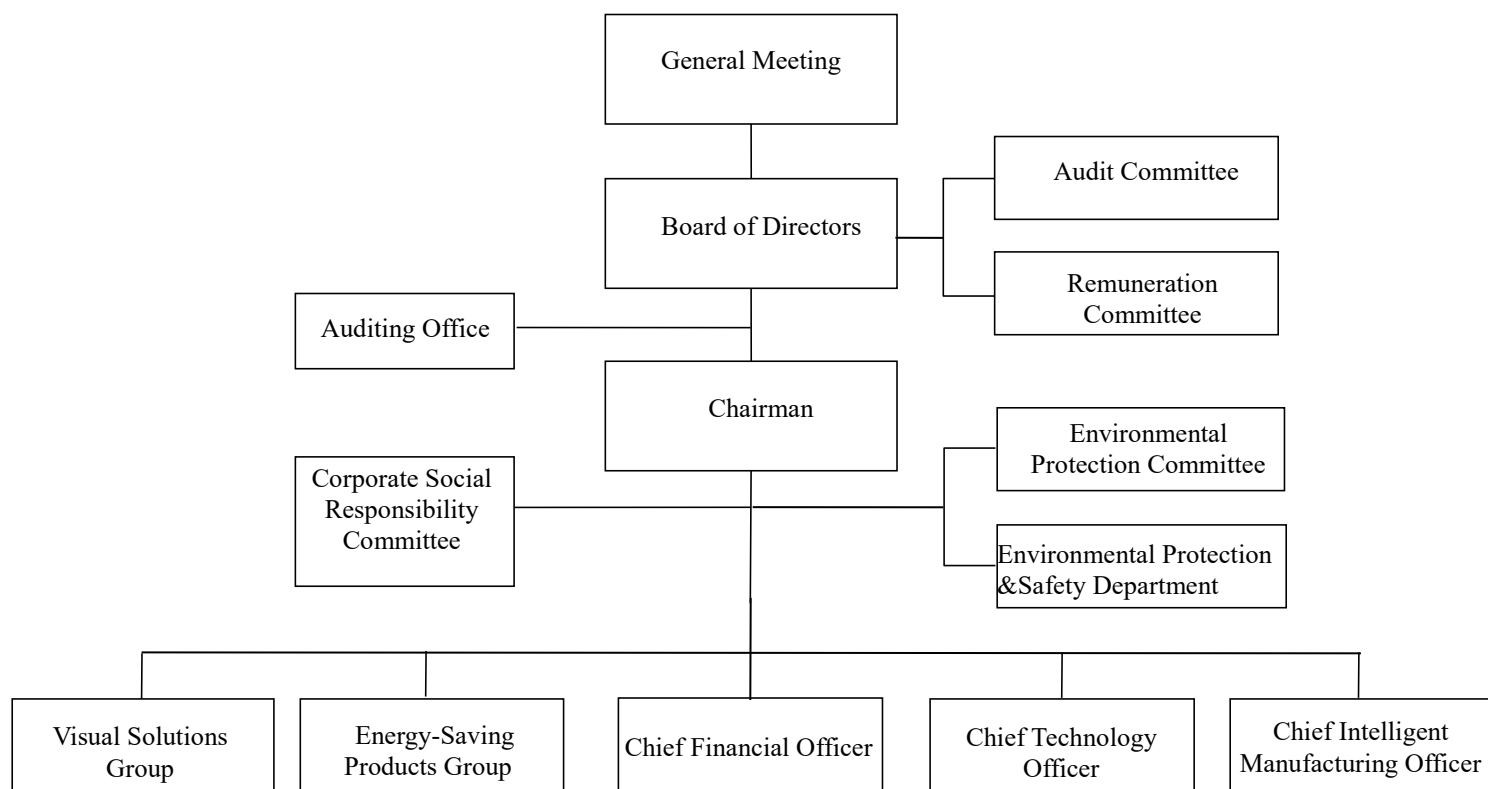
- 2012.12 Awarded voluntary certification of Healthy Workplace by the Health Promotion Administration, Ministry of Health and Welfare.
- 2013.06 Received an A++ rating in the 10th Information Disclosure Assessment of Listed Companies
- 2013.08 Won the Corporate Citizen Award in the large enterprise category from the Commonwealth Magazine.
- 2013.09 Won the "Happy Enterprise Award" from the Labor Bureau of Taipei City Government.
- 2013.09 Won the "Love Life and LOHAS Workplace" seal from the Tainan City Government.
- 2014.07 The Company received the A++ rating in the 11th information disclosure evaluation.
- 2014.08 Awarded the Excellence in Corporate Social Responsibility Award by the Commonwealth Magazine for the 3rd consecutive year.
- 2014.11 Taipei Exchange awarded Coretronic the second "Excellent Market Revenue" and "Employment Promotion" awards amongst the listed companies.
- 2015.04 Received the A++ rating in the 12th information disclosure evaluation.
- 2015.04 Ranked in the top 5% in the first Corporate Governance Evaluation from Taiwan Stock Exchange (TWSE).
- 2015.06 Established Coretronic Optotech (Suzhou) Co., Ltd. to engage in the research and development, manufacturing and sales of backlight module components.
- 2015.08 Awarded the Excellence in Corporate Social Responsibility Award by the Commonwealth Magazine for the 4th consecutive year.
- 2015.09 Won the "Creative Entrepreneur Award" of 2015 Taiwan's Arts & Business Awards from Ministry of Culture.
- 2015.12 Won the "Innovative Product Awards" from Hsinchu Science Park Bureau, Ministry of Science and Technology.
- 2016.04 Ranked in the top 5% in the second Corporate Governance Evaluation from Taiwan Stock Exchange (TWSE).
- 2016.08 Awarded the Excellence in Corporate Social Responsibility Award by the Commonwealth Magazine for the 5th consecutive year.
- 2016.11 Received the TCSA "Corporate Sustainability Report Awards".
- 2016.12 Won the "Innovative Product Awards" from Hsinchu Science Park Bureau, Ministry of Science and Technology.
- 2017.04 Ranked in the top 5% in the third Corporate Governance Evaluation from Taiwan Stock Exchange (TWSE).
- 2017.06 Established Coretronic Optics (Kunshan) Corporation to engage in the manufacturing and sales of projector modules.
- 2017.06 Established uCare Medical Electronics Co., Ltd. which is dedicated to the development of sense monitoring, fitness and smart sports technologies, as well as offering system integration services for hardware and software.
- 2017.07 Founded Champ Vision Display Inc. to focus on developing smart display solutions.
- 2017.07 Acquired Calibre UK Limited, a high-end image processing company.
- 2017.08 Awarded the Excellence in Corporate Social Responsibility Award by the Commonwealth Magazine for the 6th consecutive year.

- 2017.10 Awarded first place in the Enterprise Environmental Protection Award by the Tiana Science Park, Ministry of Science and Technology.
- 2017.10 Coretronic System Engineering Limited was renamed as Coretronic Intelligent Cloud Service, committed to developing smart cloud services.
- 2017.10 Received "2017 Taiwan iSport" certification from the Sports Administration, Department of Education.
- 2017.10 Won the 26th ROC Enterprise Environmental Protection Award-Bronze Award from the Environmental Protection Administration of the Executive Yuan.
- 2017.11 Received the TCSA "Corporate Sustainability Report Awards - Gold Award".
- 2017.11 Coretronic Intelligent Robotics Co. was founded, focusing on the research and development, manufacturing and sales of commercial unmanned aerial carrier and smart robots.
- 2017.11 Established Coretronic Optics (Suzhou) Co., Ltd. to engage in the research and development, manufacturing and sales of backlight modules and relevant parts.
- 2017.12 Awarded first prize of the "Buying Power - The New Product and Service of Social Innovation Purchase Reward Program" by Small and Medium Enterprise Administration, Ministry of Economic Affairs.
- 2017.12 Founded InnoSpectra Corporation to engage in the development, design and sales of spectrometer and relevant solutions.
- 2017.12 Won the "Innovative Product Awards" from Hsinchu Science Park Bureau, Ministry of Science and Technology.
- 2018.04 Ranked in the top 5% in the 4th Corporate Governance Evaluation from Taiwan Stock Exchange (TWSE) for the third consecutive year among listed companies.
- 2018.08 Awarded the Excellence in Corporate Social Responsibility Award by the CommonWealth Magazine for the 7th consecutive year.
- 2018.10 Merged subsidiary, Young Lighting Technology, Inc.
Passed the Sports Enterprise Certification for the 2018 Campaign from the Sports Administration, Ministry of Education.
Established Nano Precision Taiwan., Ltd., committed to the research and development and manufacturing of precision optical components and optical films.
- 2018.11 Won the 2018 TCSA "Transparency and Integrity Award" First Prize.
Won the TCSA "Corporate Sustainability Report Awards - Gold Award" for the second consecutive year.
- 2018.12 Awarded first prize of the "Buying Power - The New Product and Service of Social Innovation Purchase Reward Program" by Small and Medium Enterprise Administration, Ministry of Economic Affairs.
- 2018.12 Won the 2018 ROC Enterprise Environmental Protection Award - Silver and Bronze Award from the Environmental Protection Administration, Executive Yuan.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organization Structure (up to December 31st, 2018)



(II) Responsibilities and functions of main departments

Department	Duties and Responsibilities
Chairman's Office	Formulation of corporate strategies and targets
Auditing Office	Evaluation and auditing of the Company's internal control system
Environmental Protection & Safety Department	Public safety and environmental management
Visual Solutions Business Group	R&D, production and sales of the projection system and optical modules
Energy-Saving Business Group	R&D, production and sales of backlight and panel module products
Chief Financial Officer	Financial accounting/asset management/investor relations/human resource development/legal affairs and intellectual property rights of the company
Chief Technology Officer	Responsible for the key technical research and planning new technological development and investment
Chief Intelligent Manufacturing Officer	Responsible for smart manufacturing, smart factory planning and integration of advanced manufacturing such as automation and the integration of big data from production line

II. Directors, Presidents, Vice Presidents, Assistant Vice Presidents, Heads of Departments and Branches

(I) Directors

1. Director Information

April 15th, 2019

Job Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	Initial Election Date	Shares Held When Elected		Current Shares		Shares Held By Spouse and Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Current Positions Held in the Company and Other Companies (Note 1)	If spouse or second-degree family members also serve as managers, directors or supervisors		
							Number of Shares	Ratios	Number of Shares	Ratios	Number of Shares	Ratios	Number of Shares	Ratios			Position	Name	Relationship
Chairman	ROC	Wade Chang	Male	2016.06.15	3 years	1998.06.12	10,651,829	1.96%	7,921,463	1.82%	0	0.00%	0	0.00%	School of Management, National Taiwan University, NTU - Fudan University EMBA program, Chairman and CEO of Coretronic Corporation	Note 2	None	None	None
Director	ROC	Hsun Chieh Investment Ltd.	Not applicabl	2016.06.15	3 years	2001.06.18	18,828,189	3.47%	15,062,551	3.47%	0	0.00%	0	0.00%	None	Note 3	None	None	None
	ROC	Representative: Tai-Shun Ho	Male	2016.06.15	3 years	2007.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Electrical Engineering, National Tsing Hua University, Chairman of Novatek Microelectronics	Note 4	None	None	None
Director	ROC	Sarah Lin	Female	2016.06.15	3 years	2013..06.18	1,012,500	0.19%	1,438,576	0.33%	0	0.00%	0	0.00%	Bachelor of International Trade, National Chengchi University, President of Young Lighting Technology Inc.	Note 5	None	None	None
Director	ROC	SY Chen	Male	2016.06.15	3 years	2013..06.18	1,004,316	0.18%	974,096	0.22%	432	0.00%	0	0.00%	EMBA from Cheung Kong Graduate School of Business President of Optoma Corporation	Note 6	None	None	None
Independent Director	ROC	Ted Tu	Male	2016.06.15	3 years	2010.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Business Administration from Houston University, Chairman and President of Xuanhe Technology Co., Ltd.	Note 7	None	None	None
Independent Director	ROC	Chual-Hsin Teng	Male	2016.06.15	3 years	2012.06.12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Honorary Doctorate in Engineering of the National United University、 Master of Business Administration, National Taiwan University, Chairman and President of Thin Chang Corporation	Note 8	None	None	None
Independent Director	ROC	Houn-Gee Chen	Male	2016.06.15	3 years	2013..06.18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Information and Ph.D. in Industrial Engineering, University of Wisconsin, Professor, Department of Business Administration, National Taiwan University	Note 9	None	None	None

- Note 1: Concurrently held positions in the Company and other companies as of December 31st, 2018.
- Note 2: Concurrently serving as director in affiliated companies including Tecpoint, Great Pride, Great Pride Hong Kong, Visicorp, Wisdom Success, Wisdom Success Hong Kong, Coretronic (BVI) investment, Greendale Investments, Optoma Europe, Sinolink Global, Optoma Corporation, Chung Tsen Investment Corp., Coretronic Venture Capital Co., Ltd., responsible for Coretronic (Hukou) Co., Ltd.
- Note 3: Concurrently serving as the director of Harvatek, UMC, PixArt Imaging Inc. and Unimicron, Supervisor of Silicon Integrated Systems.
- Note 4: Concurrently serving as the director of Novatek Microelectronics, NTK International, Novatek Japan, Yong Hsu Investment, Novatek International (BVI), Novatek International (Samoa) and Cheertek International.
- Note 5: Concurrently serving as the director in affiliated companies including Nano Display Hong Kong, Nano Precision Hong Kong, Core-Flex, Bigshine, Bigshine International Hong Kong, Investdragon, Investdragon Hong Kong, Lead Bright, Lead Bright Hong Kong, Elite View, Elite View Hong Kong, Young Lighting, Young Lighting Hong Kong, YLG, Crystal World Finance, Brightbridge Resources, Tsen Ming Investment Corp., YLG Optotech Limited, uCare Medical Electronics Co., Ltd. and CHAMP VISION DISPLAY INC., responsible for Coretronic Southern Taiwan Science Park branch and Korea office.
- Note 6: Concurrently serving as a director of the affiliated companies including Optoma Technology, Inc., Optoma Deutschland GmbH, Mat Limited, Optoma Europe, Optoma Benelux B.V., Optoma Espana, S.L., Boom Power, Calibre UK Ltd., Young Green Energy Co., Optoma Corporation, Chung Tsen Investment Corp., Tsen Ming Investment Corp., Coretronic Venture Capital Co., Ltd., Coretronic Intelligent Cloud Service Corporation and Coretronic Intelligent Robotics Corporation, as well as the director for Yuan Kai Investments and the President Young Green Energy Co.
- Note 7: Concurrently serving as the Chairman and President Shuan He Technology, independent director of Mercuries & Associates, Holding Ltd. and SCI Pharmtech, Inc., the director of Cayenne's Ark and the supervisor of Foresee Pharmaceuticals Co., Ltd.
- Note 8: Concurrently serving as the Chairman and President Thin Chang Corporation.
- Note 9: Concurrently serving as the independent director of POFC.

2. Major Institutional Shareholders

Name of institutional shareholders	Major institutional shareholders (shareholding percentage)
Hsun Chieh Investment Ltd.	UMC (36.49%) Hsie Yong Investment Co., Ltd. (63.48%)

3. Main shareholders representing institutional shareholders

Name of institutional shareholders	Major shareholders of institutional shareholders (shareholding percentage)
UMC	UMC overseas depositary receipt account entrusted to JPMorgan Chase Bank (5.70%) JPMorgan Chase Bank Capital World Growth and Revenue Fund (3.58%) Hsun Chieh Investment Ltd.. (3.50%) Silicon Integrated Systems (2.50%) Hilchester International Investors International Value Stock Trust Investment Account entrusted to the Bank of Taiwan Custody (1.70%) Investment account of Pu Hsin Insurance Co., Ltd entrusted to HSBC (1.44%) Yen Yuan Investment Co., Ltd. (1.36%) Cathay Life Insurance Co., Ltd. (1.27%) Taiwan Life Insurance Co., Ltd. (1.23%) The European Pacific Mutual Growth Fund Account entrusted to J.P. Morgan Chase Bank(1.19%)
Hsie Yong investment Co., Ltd.	Unimicron Technology Corporation (16.67%) Silicon Integrated Systems (16.67%) Novatek Microelectronics (15.15%) Faraday Technology Corporation (12.12%) King Yuan Electronics Co., Ltd. (7.58%)

4. Professional qualifications and independence of the Directors:

Conditions	Does the individual have more than 5 years of work experience and the following professional qualifications?			Compliance with Independence										Number of other public companies in which the individual concurrently serves as an independent director	
	Currently serving as an instructor or higher post in a private or public college in the field of business, law, finance, accounting, or business that is relevant to the Company's operations	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice for which the individual must undergo national examinations to obtain a specialized license that is relevant to the Company's operations	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10		
Name															
Wade Chang			✓				✓	✓	✓	✓	✓	✓	✓	✓	0
Hsun Chieh Investment Ltd. Representative: Ho Tai-Shun			✓	✓	✓	✓	✓		✓	✓	✓	✓			0
Sarah Lin			✓				✓	✓	✓	✓	✓	✓	✓		0
SY Chen			✓				✓	✓	✓	✓	✓	✓	✓		0
Ted Tu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
Chual-Hsin Teng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Houn-Gee Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1

Note: Please tick the boxes for the conditions if the Directors who meet the below-mentioned conditions in two years prior to the nomination and during his/her term of service. ✓

- (1) Not employed by the Company or an affiliated company.
- (2) Not serving as a director or supervisor of any of the Company's affiliated companies (this restriction does not apply to independent directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country).
- (3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business. However, this restriction does not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the Regulations Governing the Remuneration Committee of a company listed on the Stock Exchange or traded over the counter.
- (8) Not a spouse or a relative within the second degree of kinship with any director.
- (9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
- (10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

(II) Information on the Presidents, Vice Presidents, Assistant Vice Presidents, heads of departments and branches

April 15th, 2019

Job Title	Nationality	Name	Gender	Date Elected Date	When Elected		Spouse and Minors Stocks held in the		names of other persons When Elected		Education and Work Experience	Positions concurrently serving in other companies (Note 1)	Manager with spouse or second-degree kinship		
					Number of Shares	Ratios	Number of Shares	Ratios	Number of Shares	Ratios			Position	Name	Relationship
CEO	ROC	Wade Chang	Male	2001.06.18	7,921,463	1.82%	0	0.00%	0	0.00%	Master of NTU-Fudan EMBA , National Taiwan University Chairman & CEO, Coretronic Corporation	Note 2	None	None	None
President	ROC	Sarah Lin	Female	2010.12.06	1,438,576	0.33%	0	0.00%	0	0.00%	Bachelor in International Business of National Chengchi University President, Young Lighting Technology, Inc.	Note 3	None	None	None
President	ROC	SY Chen	Male	2012..06.01	974,096	0.22%	432	0.00%	0	0.00%	EMBA of Cheung Kong Graduate School of Business President, Optoma Corporation	Note 4	None	None	None
CFO	ROC	Franck Ho	Male	2010.10.21	137,462	0.03%	12,000	0.00%	0	0.00%	MBA of Baruch College/City University of New York Vice President, Coretronic Corporation	Note 5	None	None	None
CTO	ROC	Fleming Chuang	Male	2017.05.02	34,130	0.01%	0	0.00%	0	0.00%	Ph.D in Electro-Optical Engineering of National Central University Vice President, Coretronic Corporation	Note 6	None	None	None
CTO	ROC	Robert Hsueh	Male	2017.09.01	51,194	0.01%	0	0.00%	0	0.00%	Master in Electronic Engineering of Chung Yuan Christian University Vice President, Coretronic Corporation	Note 7	None	None	None
CIMO	ROC	Daniel Lee	Male	2017.10.01	34,130	0.01%	0	0.00%	0	0.00%	Master in Manufacturing System of The University of Nottingham Senior Vice President, Coretronic Corporation	None	None	None	None
Vice President	ROC	Carol Wu	Female	2012.11.19	43,602	0.01%	0	0.00%	0	0.00%	Master in Technology Law of National Chiao Tung University CLO, Coretronic Corporation	None	None	None	None
Vice President	ROC	Wilson Hsu	Male	2016.11.01	34,921	0.01%	0	0.00%	0	0.00%	EMBA of National Cheng Chi University Vice President, Coretronic Corporation	Note 8	None	None	None
Vice President	ROC	Sara Lin	Female	2016.04.01	81,908	0.02%	800	0.00%	0	0.00%	MBA of Johnson & Wales University Associate Vice President, Young Lighting Technology, Inc.	Note 9	None	None	None
Associate Vice President	ROC	YC Chen	Female	2019.01.15	38,479	0.01%	0	0.00%	0	0.00%	University of Wisconsin, MBA Associate Vice President, Coretronic Corporation	None	None	None	None

- Note 1: Concurrently held positions in the Company and other companies as of December 31st, 2018.
- Note 2: Concurrently serving as director in affiliated companies including Tecpoint, Great Pride, Great Pride Hong Kong, Visicorp, Wisdom Success, Wisdom Success Hong Kong, Coretronic (BVI) investment, Greendale Investments, Optoma Europe, Sinolink Global, Optoma Corporation, Chung Tsen Investment Corp., Coretronic Venture Capital Co., Ltd., responsible for Coretronic (Hukou) Co., Ltd.
- Note 3: Concurrently serving as the director in affiliated companies including Nano Display Hong Kong, Nano Precision Hong Kong, Core-Flex, Bigshine, Bigshine International Hong Kong, Investdragon, Investdragon Hong Kong, Lead Bright, Lead Bright Hong Kong, Elite View, Elite View Hong Kong, Young Lighting, Young Lighting Hong Kong, YLG, Crystal World Finance, Brightbridge Resources, Tsen Ming Investment Corp., YLG Optotech Limited, uCare Medical Electronics Co., Ltd. and CHAMP VISION DISPLAY INC., responsible for Coretronic Southern Taiwan Science Park branch and Korea office.
- Note 4: Concurrently serving as a director of the affiliated companies including Optoma Technology, Inc., Optoma Deutschland GmbH, Mat Limited, Optoma Europe, Optoma Benelux B.V., Optoma Espana, S.L., Boom Power, Calibre UK Ltd., Young Green Energy Co., Optoma Corporation, Chung Tsen Investment Corp., Tsen Ming Investment Corp., Coretronic Venture Capital Co., Ltd., Coretronic Intelligent Cloud Service Corporation and Coretronic Intelligent Robotics Corporation, as well as the director for Yuan Kai Investments and the President of Young Green Energy Co.
- Note 5: Concurrently serving as a supervisor of the affiliated companies including Nano Precision (Suzhou) Co., Ltd, Guangzhou Nano Display Co., Ltd, Nano Precision (Nanjing) Co., Ltd., Core Flex Optical (Suzhou), Coretronic (Shanghai) Co., Ltd, Coretronic (Suzhou) Co., Ltd, Coretronic (Ningbo) Co., Ltd, Coretronic (Guangzhou) Co., Ltd, Coretronic Venture Capital Co., Ltd., Technology Service (Kunshan), Coretronic Projection (Kunshan) Co., Ltd, Coretronic Optics (Kunshan) Corporation, Vimax (Kunshan) Co., LTD., Boom Power Electronics (Suzhou) Co. Ltd, Coretronic System Engineering (Shanghai) Co., Ltd., Coretronic Display (Suzhou) Co., Ltd., Coretronic (Suzhou), Young Green Energy Co., Chung Tsen Investment Corp., Optoma Corporation, and Coretronic Optics(Suzhou) Co.,Ltd. Concurrently serving as the director in affiliated companies including uCare Medical Electronics Co., Ltd., Champ Vision Display, Coretronic System Engineering Corporation, Coretronic Intelligent Robotics Corporation, InnoSpectra Corporation, Tsen Ming Investment Corp., Venture, YLG, YLG Optotech Limited and Nano Precision Co., Ltd.
- Note 6: Concurrently serving as a director of the affiliated companies including Young Optics Inc, InnoSpectra Corporation and Genejet Biotech, President of Coretronic Venture Capital Co., Ltd.
- Note 7: Concurrently serving as a director of Coretronic Intelligent Robotics Corporation, President of Chung Tsen Investment Corp. and Tsen Ming Investment Corp.
- Note 8: Concurrently serving as a director of the affiliated companies including Young Green Energy Co. and Boom Power Electronics (Suzhou) Co., Ltd.
- Note 9: Concurrently serving as a director of the affiliated company of Coretronic (Shanghai) Co., Ltd, President of Coretronic (Shanghai) Co., Ltd.

III. Remuneration Paid to Directors, Presidents and Vice Presidents in the Most Recent Year (2018)

(I) Remuneration of directors (including independent directors)

Unit: NT\$1,000/1000 shares

Job Title	Name	Remuneration of Directors								A, B, C and D		Compensations Paid to Concurrent Employees								Percentage of the total sum of A, B, C, D, E, F, and G to net income after taxes		Compensation Paid to Directors from Non-consolidated Affiliates
		Base Compensation (A)		Retirement Pension (B)		Bonus to Directors (C)		Allowances (D)		Percentage of the total sum of the 4 items to net income after taxes		Salaries, bonuses and special expenses (E)		Retirement pension (F)		Employee Bonus (G) (Note 1)				From Core	From All Consolidated Entities	
		From Core	From All Consolidated Entities	From Core	From All Consolidated Entities	From Core	From All Consolidated Entities	From Core	From All Consolidated Entities	From Core	From All Consolidated Entities	From Core	From All Consolidated Entities	From Core	From All Consolidated Entities	Cash	Stock	Cash	Stock			
Chairman	Wade Chang	3,060	3,060	0	0	0	0	0	0	0.15%	0.15%	40,000	45,562	364	364	42,000	0	42,000	0	4.23%	4.50%	0
Director	Hsun Chieh Investment Ltd. Representative: Tai-Shun Ho																					
Director	Sarah Lin																					
Director	SY Chen																					
Independent Director	Ted Tu																					
Independent Director	Chual-Hsin Teng																					
Independent Director	Houn-Gee Chen																					

*Unless disclosed above, the Directors of the most recent year received remuneration for providing services (e.g. serving as a non-employee consultant) to the companies listed in this financial report: None.

Paid to each Director of the Company Remuneration Bracket	Name of Director			
	Total sum of the first four items (A+B+C+D)		Total sum of the first seven items (A+B+C+D+E+F+G)	
	From Core	From All Consolidated Entities	From Core	From All Consolidated Entities
Below NT\$2,000,000	Wade Chang, Hsun Chieh Investment Ltd., Sarah Lin, SY Chen, Ted Tu, Chual-Hsin Teng, Houn-Gee Chen	Wade Chang, Hsun Chieh Investment Ltd., Sarah Lin, SY Chen, Ted Tu, Chual-Hsin Teng, Houn-Gee Chen	Hsun Chieh Investment Ltd., Ted Tu, Chual-Hsin Teng, Houn-Gee Chen	Hsun Chieh Investment Ltd., Ted Tu, Chual-Hsin Teng, Houn-Gee Chen
NT\$ 2,000,000 (inclusive) to NT\$ 5,000,000	-	-	-	-
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	-	-	-	-
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000	-	-	-	-
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000	-	-	Wade Chang, Sarah Lin, SY Chen	Wade Chang, Sarah Lin, SY Chen
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000	-	-	-	-
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	7	7	7	7

Note 1: The employee bonus distribution proposal was passed by the Board of Directors in January 2019. As of the date of this annual report, the bonus has not yet been paid and therefore the above table shows the proposed distribution.

(II) Compensation of the President and Vice President

Unit: NT\$1,000/1000

Job Title	Name	Salary (A)		Retirement Pension (B) (Note 1)		Bonuses and Special Expenses (C)		Employee remuneration (D) (Note 4)				Percentage of the total sum of A, B, C and D to net income after taxes		Compensation Received from Non-consolidated Affiliates
		From Core	From All Consolidated Entities	From Core	From All Consolidated Entities	From Core	From All Consolidated Entities	From Core		From All Consolidated Entities		From Core	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Wade Chang (Note 2)	52,728	60,450	1,587	1,587	32,983	32,983	68,800	0	68,800	0	7.73%	8.11%	0
President	Sarah Lin (Note 2)													
President	SY Chen (Note 2)													
CFO	Franck Ho													
CTO	Fleming Chuang													
CTO	Robert Hsueh													
CIMO	Daniel Lee													
Vice President	Carol Wu													
Vice President	Wilson Hsu													
Vice President	Sara Lin													
Vice President	Ken Wang(Note3)													

Brackets of Remuneration Paid to the Presidents and Vice Presidents of the Company	Name of President and Deputy President	
	The Company	All companies included in the consolidated financial statements
Below NT\$2,000,000	-	-
NT\$ 2,000,000 (inclusive) to NT\$ 5,000,000	-	-
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	Fleming Chuang, Robert Hsueh, Daniel Lee, Carol Wu, Wilson Hsu, Sara Lin , Ken Wang(Note3)	Fleming Chuang, Robert Hsueh, Daniel Lee, Carol Wu, Wilson Hsu, Sara Lin , Ken Wang (Note3)
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000	Franck Ho	Franck Ho
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000	Wade Chang, Sarah Lin, SY Chen	Wade Chang, Sarah Lin, SY Chen
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000	-	-
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000	-	-
More than NT\$100,000,000	-	-
Total	11	11

Note 1: The Company's pre-paid amount of retirement pension funds for the year 2018 is NT\$1,587,000. The same goes to all companies in the consolidated financial statements.

Note 2: Company car is provided for work purposes.

Note 3: Adjustment of duties as of December 31st, 2018.

Note 4: The employee bonus distribution proposal was passed by the Board of Directors in January 2019. As of the date of this annual report, the bonus has not yet been paid and therefore the above table shows the proposed distribution.

(III) Manager's name and the distribution of employee bonus

December 31st, 2018

Unit: NT\$1,000

Job Title	Name	Stock Amount	Cash Amount (Note 1)	Total	The ratio (%) of total amount to the NIAT	
Managerial Officer	CEO	Wade Chang	0	68,800	68,800	3.41%
	President	Sarah Lin				
	President	SY Chen				
	CFO	Franck Ho				
	CTO	Fleming Chuang				
	CTO	Robert Hsueh				
	CIMO	Daniel Lee				
	Vice President	Carol Wu				
	Vice President	Wilson Hsu				
	Vice President	Sara Lin				
	Vice President (Note 2)	Ken Wang				
	Associate Vice President (Note 2)	Miranda Wang				

Note 1: The employee bonus distribution proposal was passed by the Board of Directors in January 2019. As of the date of this annual report, the bonus has not yet been paid and therefore the above table shows the proposed distribution.

Note 2: Adjustment of duties as of December 31st, 2018.

(IV) Total remuneration paid to Directors, President and Vice Presidents by the Company in its financial statements in the most recent two years as a percentage of net income (NIAT). The policies, standards and packages for remuneration and its procedures, as well as the performance and future risks should be explained.

1. Analysis of the total remuneration paid to the Directors, President and Vice Presidents of the Company in the most recent two years as a percentage of net income after tax:

Year Job Title	2017		2018	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director	4.88%	5.20%	4.23%	4.50%
President and Vice Presidents	8.39%	8.79%	7.73%	8.11%

2. The Directors of the Company are not compensated according to the Articles of Incorporation. Only fixed remuneration is paid in accordance with attendance. The remuneration of directors is determined by taking into account the attendance, contribution and industry standards.

The remuneration policy for the Company's Presidents and Vice Presidents follows the Company's "Guidelines for Remuneration and Performance Assessment for Directors and Managers." Remuneration standards for the industry and their contribution to the Company's business objectives are also taken into consideration. The Company has formulated the procedures for remuneration of Directors and managers based on the "Guidelines for Remuneration and Performance Assessment for Directors and Managers." In addition to the Company's overall performance, future risks and development

trends, the Company also refers to the results of personal and departmental performance in order for the remuneration to be reasonable. Performance review results and remuneration are reviewed by the Remuneration Committee and the Board of Directors. The remuneration evaluation is reviewed according to the actual performance and relevant regulations in order to achieve the balance between sustainability and risk control.

IV. Corporate Governance

(I) Operations of the Board of Directors: the Board convened 6 (A) times in 2018. The attendance is as follows:

Job Title	Name	Actual Attendance	Number of attendance in proxy	Rate of actual attendance (%) [B/A]	Note
Chairman	Wade Chang	6	0	100%	The Board convened 6 times in 2018. At least two Independent Directors were present at each Board meeting.
Director	Hsun Chieh Investment Ltd. Representative: Ho Tai-Shun	5	1	83%	
Director	Sarah Lin	6	0	100%	
Director	SY Chen	6	0	100%	
Independent Director	Ted Tu	6	0	100%	
Independent Director	Chual-Hsin Teng	5	1	83%	
Independent Director	Houn-Gee Chen	6	0	100%	

The attendance of Independent Directors at each Board meeting in 2018: ◎ Attendance in Person; and ☆ Attendance in proxy; △ did not attend

2018	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	5th Meeting	6th Meeting
Ted Tu	◎	◎	◎	◎	◎	◎
Chual-Hsin Teng	◎	◎	◎	☆	◎	◎
Houn-Gee Chen	◎	◎	◎	◎	◎	◎

Other required disclosure:

I. The date of the board meeting, the term, content of the proposals, opinion of all Independent Directors, and the Company's handling of the opinion of Independent Directors be recorded under the following circumstances in the operations of the Board of Directors meeting:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable. The Company has set up an Audit Committee for matters stipulated in Article 14-5 of the Securities and Exchange Act.

(II) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None. Independent directors did not express objections or reservations this year.

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

1. The 10th meeting of the 9th Board of Directors deliberated about a donation

proposal to the Company's related parties. Director Sarah Lin concurrently serves as a director for the Coretronic Culture and Art Foundation. Therefore, she had to abstain from voting due to a conflict of interest.

2. The 11th meeting of the 9th Board of Directors resolved to release the non-competition clause for directors of the Company. Director Sarah Lin concurrently serves as the director for uCare Medical Electronics Co., Ltd. and Champ Vision Display Inc. Therefore, she had to abstain from voting due to a conflict of interest.
3. The 12th meeting of the 9th Board of Directors resolved to adopt the proposal for Director's Remuneration for 2018. Directors including Hsun Chieh Investment Ltd., Ted Tu, Chual-Hsin Teng and Houn-Gee Chen had to abstain from voting due to a conflict of interest.
4. The 12th meeting of the 9th Board of Directors resolved to adopt the proposal for directors' remuneration. Directors Wade Chang, Sarah Lin and SY Chen had to abstain from voting due to a conflict of interest.
5. The 12th meeting of the 9th Board of Directors resolved to adopt the proposal for employee remuneration. Directors Wade Chang, Sarah Lin and SY Chen had to abstain from voting due to a conflict of interest.
6. The 14th meeting of the 9th Board of Directors resolved to adopt the proposal for employee stock trust for 2018. Directors Wade Chang, Sarah Lin and SY Chen had to abstain from voting due to a conflict of interest.

III. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

1. The Company has set up an Audit Committee and a Remuneration Committee to assist the Board in performing its duties. The aforementioned functional committees are composed of three independent directors and may consult external experts for opinions when needed.
2. The Company completed the re-election of Directors at the Annual General Meeting held on June 15th, 2016. Seven Directors were elected, including 3 Independent Directors to strengthen the functions of the Board as well as corporate governance.
3. The Board of Directors of the Company is responsible for supervising the Company's management and operating performance, preventing conflicts of interests and ensuring that the Company complies with the laws and regulations, the Articles of Incorporation, or the resolutions of the shareholders' meeting, and striving to maximize the shareholders' interests. The Board of Directors shall convene at least once every quarter and six times a year. The Company's management team should report performance results to the Board of Directors.

The Board of Directors has to adopt future operating strategies and significant policies.

(II) Operations of the Audit Committee:

1. Annual key tasks of the Audit Committee:

In order to strengthen corporate governance, the Company established an Audit Committee in 2010. The Audit Committee is comprised of three independent directors. Ted Tu has been appointed as the convener of the independent directors. The Audit Committee shall convene at least once a quarter as well as meeting when required. The Audit Committee is responsible for reviewing the Company's financial statements, the effectiveness of the internal control system, the appointments/dismissal and independence of the CPA, and the Company's compliance with the relevant laws and regulations, and the existing or potential risks. Its main responsibilities are as follows:

- Establishing or revising the internal control system.
- Evaluating the effectiveness of the internal control system.
- Procedures for handling significant financial operations.
- Matters that involve directors' own interests.
- Major assets or derivative trading.
- Significant lending, endorsement or provision of guarantees.
- Offering, issuance or private placement of equity-type securities.
- Appointment, dismissal and compensation of the CPA.
- Independence of the CPA.
- Appointment and dismissal of finance manager, accounting manager, and head of internal audit.
- Financial Report.
- Other significant matters as required by the Company or competent authorities.

2. Operations of the Audit Committee in 2018:

The Company's Audit Committee convened 5 (A) in 2018 and the attendance of Independent Directors is as follows:

Job Title	Name	Actual attendance Number (B)	Number of Attendance by Proxy	Rate of actual attendance (%) [B/A]	Note
Independent Director	Ted Tu	5	0	100%	None
Independent Director	Chual-Hsin Teng	4	1	80%	
Independent Director	Houn-Gee Chen	5	0	100%	

Other required disclosure:

- I. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

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

Date	Term	Motion Content	Resolution of the Audit Committee	The Company's Actions in Response to the Opinions of the Audit Committee
2018.1.29	The 7th Meeting of the Third Board of Directors	1.Evaluation of the independence of CPAs 2.2017 Individual Financial Report and Consolidated Financial Statements 3.2017 Business Report 4.2017 Internal Control System Declaration	All Independent Directors passed the proposal unanimously	None
2018.4.25	The 8th Meeting of the Third Board of Directors	1. 2017 Earnings Allocation 2. 2018 Q1 Consolidated Financial Report 3. Motion regarding Nano Precision (Suzhou) Co., Ltd, the Company's subsidiary, investing in setting up a subsidiary in Taiwan that makes optical components.	All Independent Directors passed the proposal unanimously	None
2018.6.14	The 9th Meeting of the Third Board of Directors	Share conversion with Optoma Corporation	All Independent Directors passed the proposal unanimously	None
2018.7.23	The 10th Meeting of the 3rd Board of Directors	Consolidated financial report for the first half of 2018	All Independent Directors passed the proposal unanimously	None
2018.10.29	The 11th Meeting of the 3rd Board of Directors	1.Consolidated Financial Report for the first three quarters of 2018 2.2019 Audit Plan	All Independent Directors passed the proposal unanimously	None

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None. The independent directors expressed no objections or reservations this year.

- II. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
- III. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.):
- The internal auditors and independent directors have communicated the result of the audit reports to the members of the Audit Committee through meeting. The internal auditing managers report results of the internal audits to independent directors once every quarter. Should the

- urgency of the matter require it, meetings can be convened any time.
2. Independent Directors and CPAs communicate through meeting. CPAs regularly report results of the audit, financial accounting standards and changes in relevant securities/taxation regulations. CPAs will equally initiate contact with independent directors as needed.
 3. The Company's independent directors and internal audit supervisors or CPAs regularly convene. Please refer to the information on the Company website under Investor Relations/Corporate Governance/Internal Audit/Independent Directors.

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

Evaluation Items	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		To establish a good corporate governance system, the Company has formulated and passed the "Corporate Governance Best Practice Principles" according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies." Relevant information has been disclosed on the Company website and the Market Observation Post System (MOPS).	There is no deviation between the Company's practices and Corporate Governance Best-Practice Principles.
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) The Company has established the "Procedures for Handling Shareholder Proposals, Inquiries, Disputes, and Litigation," and appointed a spokesperson and an acting spokesperson to disclose important information in a timely manner to ensure shareholders' rights. Stock Affairs and Investor Relations departments have been appointed as dedicated units, and the Company has set up a dedicated mailbox (ir@coretronic.com) and hotline to address matters regarding shareholders' suggestions, inquiries and disputes. The legal affairs department shall be responsible for the handling relevant litigation.	There is no deviation between the Company's practices and Corporate Governance Best-Practice Principles.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The Company shall handle the list of its shareholders on the date of transfer of the Company's shares provided by the stock transfer agency in order to establish a complete list of major shareholders and ultimate owners.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The Company has established the "Regulations Governing the Company's Subsidiaries," Internal Control and Internal Audit, and has clearly defined management responsibilities of its affiliated companies. The Company's current or transaction procedures are conducted in accordance with the relevant laws and regulations to implement the risk control mechanism vis-a-vis its subsidiaries.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has established the "Regulations Preventing Insider	

Evaluation Items	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Trading" to prohibit the use of information that is not available on the market to obtain illegal profits for himself or others. The Company also regularly promotes and discloses relevant information on the Company website for the managers and employees. Important information is also communicated promptly to the staff.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	✓		<p>(1) The Company's "Corporate Governance Best Practice Principles" rule 19 has clearly stated that diversity shall be taken into consideration in terms of the composition of the Board of Directors. To implement the diversity of the Board, there is one female director out of the 7 for the 9th Board of Directors, bringing the female ratio to 14%, the ratio of directors who are employees to 43%, and the ratio of independent directors to 43%. Four directors are between the age of 60-66, 3 are under 60, and the average age is 61. The Board of Directors of the Company has the knowledge, skills and qualities required to perform their duties. Among the Directors, namely Wade Chang, Sarah Lin, SY Chen, Tai-Shun Ho and Independent Director Chual-Hsin Teng have the professional capabilities in management, leadership/knowledge about the industry , Independent Director Ted Tu have the professional capabilities in management, leadership/knowledge about the industry ,and financial accounting, Independent Director Houn-Gee Chen has expertise in innovative strategies and management, which benefits the Company's operational management. The Company considers the professionalism and experience in the areas of stakeholder engagement, independence, economy, environment and society. In the future, the Company plans to recruit professionals in the fields of environmental and society to serve as board members. Information regarding the establishment and implementation of the board diversity policy is disclosed on the Company website.</p>	There is no deviation between the Company's practices and Corporate Governance Best-Practice Principles.

Evaluation Items	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		(2) The Company has also established an Audit Committee and a Remuneration Committee to help the Board carry out its duties. The Company has set up a Corporate Social Responsibility Management Committee and an Environmental Protection Management Committee to enhance corporate social responsibility management.	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		(3) The Board of Directors has established the "Regulations Governing the Evaluation of the Performance of the Board of Directors" and disclosed it on the Company website. The evaluation is conducted every year, and the results are reported to the Board. The evaluation is performed by independent external professional institutions once every three years, and the results are reported to the Board. The evaluation is conducted on a yearly basis, with items including: the involvement in the Company's operations, the improvement of the Board of Directors' decision-making, the composition and the structure of the Board of Directors, the election and continuous training of the directors, as well as internal control. The first three items are the base, and the last two are advanced. In 2018, the result of the Board performance evaluation is advanced, demonstrating the Company's effort in strengthening the functions of the Board. The Company reported the results of the above evaluation to the Board of Directors in March 2019 as a reference for continuing to strengthen the functions of the Board of Directors.	
(4) Does the company regularly evaluate the independence of CPAs?	✓		(4) The Audit Committee of the Company conducts annual evaluation of the CPA's independence and competence, and results will be submitted to the Board of Directors. The following is the CPA assessment mechanism: 1. The CPA is not a related party of the Company and the Directors. 2. The Company's CPA and the Company have not engaged in any other financial and tax compliance cases, other than financial and tax certification of the Company.	

Evaluation Items	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>3.The Company has complied with the relevant regulations in terms of the rotation of CPAs.</p> <p>4.The CPA regularly submits the declaration of independence every year.</p> <p>The assessment results are as follows: The 2019 Audit Committee and the Board of Directors evaluated the independence of the CPAs for the 2018 Financial Report, Hsin-Min Hsu and Chih-Chung Chen, and found it to be compliant. The CPA rotation is equally compliant.</p>	
4. 1. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	✓		The Chief Financial Officer of the Company was appointed as the Corporate Governance Officer by the Board of Directors in April of 2019. The Chief Financial Officer has over a decade of management experience in accounting, finance, stock affairs, and meeting agendas. The CFO Office shall overlook corporate governance affairs with the main directive of providing information for Directors' operations, promoting the newest regulations relevant to the Company's management operations, and assisting Directors in compliance with laws and regulations. These affairs include the Company's registrations, meeting affairs of the shareholders/Board of Directors/Audit Committee/Remuneration Committee, amending corporate governance related principles, updating corporate governance related laws and regulations, and periodically arranging new courses for the Directors.	There is no deviation between the Company's practices and Corporate Governance Best-Practice Principles.
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company has set up channels of communication including a mailbox, dedicated hotline, spokesperson's mailbox and hotline for the clients, suppliers and the general public. If the stakeholders need to contact the Company, they can contact the Company's dedicated unit any time.In addition, the Company has set up a stakeholder section on the Company website to provide investors with information.Through various communication channels, the Company actively communicates with stakeholders to understand their needs and expectations of the Company's expectations. This also serve as a key reference for the formulation of corporate social responsibility	There is no deviation between the Company's practices and Corporate Governance Best-Practice Principles.

Evaluation Items	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			policies and relevant plans.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company's has entrusted Yuanta Securities Co., Ltd. as its stock transfer agency for handling shareholders' meetings.	There is no deviation between the Company's practices and Corporate Governance Best-Practice Principles.
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓ ✓		(1) The Company discloses information on the Company's website. Inquiries can also be made about the Company's financial operations and corporate governance on public information observatory websites. (2) The Company has set up an English website and designated personnel to be responsible for the collection and disclosure of company information, implementation of the spokesperson system and videotaping institutional investors's conference. The Company fulfills its responsibilities and obligations in disclosure in compliance with regulations from the competent authorities. The date and venue of the institutional investors' conference can be found on the Company website in the "Investor Relations/Investor Conference," "Investor Relations/Operational Report Calendar," or "News Center/Event" sections.	There is no deviation between the Company's practices and Corporate Governance Best-Practice Principles.
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(1) Status of employee rights and employee wellness The Company has always believed in the mutual benefits that can be gained from protecting employee rights and interests. All management practices are carried out according to the laws and regulations. The Company has established an Employee Welfare Committee to implement various welfare measures and leisure activities, including special long weekends, employee trips, sports events and festivals, etc. for team building as well as enhancing employees' family relations. The Company also arranges art performances for employees and their families to enhance cultural appreciation. The Company continues to implement employee assistance	There is no deviation between the Company's practices and Corporate Governance Best-Practice Principles.

Evaluation Items	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>programs which provide professional counseling, legal, medical and wealth management services to employees and their families free of charge, so that the employees can concentrate on work. The Company values the health of its employees. Regular health checkups and health promotion activities are organized for employees to create a healthy workplace.</p> <p>(2) Investor Relations The Company has established a spokesperson and acting spokesperson system to maintain investor relations. Investor conferences are arranged regularly, and the Company participates in global investor conferences from time to time.</p> <p>(3) Supplier relations and stakeholders' rights Business ethics is strictly abided by in all of the Company's dealings with its suppliers and customers. The Company regularly assesses the price, quality, technology, delivery conditions and services of major suppliers, and requires suppliers to sign the integrity commitment letter in order to understand customer needs, help them solve problems and provide more satisfactory products and services. The financial operations of the affiliated companies are conducted independently in accordance with relevant regulations and the regulations. Regulations including "Procedures for Loans and Guarantees," "Procedures for Acquisition and Disposal of Assets," and "Regulations Governing the Supervision of Subsidiaries" have been set up for the purpose.</p> <p>(4) Directors' and supervisors' training records: The Company actively encourages Directors to participate in relevant courses organized by competent authorities. The Directors and managers participate in training courses for corporate governance. Please refer to the table below for the continuing education for Directors and Managers.</p> <p>(5) Implementation of risk management policies and risk assessment standards</p>	

Evaluation Items	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>The Company has set up an analysis, tracking and response mechanism for to high-risk events that may have an impact on operational objectives to create a comprehensive risk management mechanism.</p> <p>(6) Implementation of Customer Policies The Company has established appropriate customer policies to strive to achieve customer satisfaction. Besides offering excellent product quality, safety and innovation, the Company focuses on handling customer complaints and providing customers with complete product information.</p> <p>(7) Liability Insurance for the Company's Directors The Company has taken out liability insurance for the Directors and is regularly submitted to the Board.</p>	
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures: The Company has received the top 5% ranking in the corporate governance evaluation for 5 years in a row. The Company has reviewed and evaluated the results of the evaluation and the feasibility of improvement. The Remuneration Committee has held two meetings in 2018 with all members present. As foreign investors own a large percentage of the Company stock, the annual report is available in English since 2019. The Company has been actively committed to the three major aspects of the sustainable development of the economy, the environment and the society. The Company has won the Corporate Social Responsibility Award (the “CommonWealth Corporate Citizen Award”) for 7 years in a row, the 2018 TCSA "Taiwan Corporate Sustainability Report - Gold Award" and the "Transparent Trustworthy Award." In the future, the Company will also continue to uphold the corporate core value of the Company and shoulder the long-term sustainable responsibility for the Company's business.</p>				

Directors and Managers' Training							
Job Title	Name	Date of Training		Organizer	Course Name	Continuing education Hours	
		Starting from	Until				
Chairman and CEO	Wade Chang	2018.03.26	2018.03.26	Taiwan Corporate Governance Association	Discussion and Analysis of Major Issues of the Company's Business and Taxation Regulations, Responsibilities of the Directors and Supervisors Regarding Mergers	6	
Director and President	Sarah Lin	2018.03.26	2018.03.26	Taiwan Corporate Governance Association	Discussion and Analysis of Major Issues of the Company's Business and Taxation Regulations, Responsibilities of the Directors and Supervisors Regarding Mergers	6	
Director and President	SY Chen	2018.03.26	2018.03.26	Taiwan Corporate Governance Association	Discussion and Analysis of Major Issues of the Company's Business and Taxation Regulations, Responsibilities of the Directors and Supervisors Regarding Mergers	6	
Director Representative of the Corporation	Tai-Shun Ho	2018.03.26	2018.03.26	Taiwan Corporate Governance Association	Discussion and Analysis of Major Issues of the Company's Business and Taxation Regulations, Responsibilities of the Directors and Supervisors Regarding Mergers	6	
		2018.11.05	2018.11.05	Taiwan Corporate Governance Association	Response to the Global and Cross-Strait Anti-tax Evasion Policy and Measures	3	
		2018.11.05	2018.11.05	Taiwan Corporate Governance Association	Anti-money Laundering and Counter-terrorist Financing and Implementation Practices	3	
Independent Director	Ted Tu	2018.03.26	2018.03.26	Taiwan Corporate Governance Association	Discussion and Analysis of Major Issues of the Company's Business and Taxation Regulations, Responsibilities of the Directors and Supervisors Regarding Mergers	6	
		2018.07.18	2018.07.18	Taiwan Corporate Governance Association	Fraud risks in the Board of Directors' mission in the adoption of innovative technologies, procurement and sales	6	
		2018.12.10	2018.12.10	Taiwan Corporate Governance Association	Impact of changes in the Company's corporate governance, internal control and directors' liabilities from the latest Company Act amendment (part 1) (part 2)	6	
Independent Director	Chual-Hsin Teng	2018.03.26	2018.03.26	Taiwan Corporate Governance Association	Discussion and Analysis of Major Issues of the Company's Business and Taxation Regulations, Responsibilities of the Directors and Supervisors Regarding Mergers	6	
Independent Director	Houn-Gee Chen	2018.03.26	2018.03.26	Taiwan Corporate Governance Association	Discussion and Analysis of Major Issues of the Company's Business and Taxation Regulations, Responsibilities of the Directors and Supervisors Regarding Mergers	6	
		2018.10.31	2018.10.31	Securities and Futures Institute	How should Directors and Supervisors understand financial information	3	
CFO	Franck Ho	2018.03.26	2018.03.26	Taiwan Corporate Governance Association	Discussion and Analysis of Major Issues of the Company's Business and Taxation Regulations, Responsibilities of the Directors and Supervisors Regarding Mergers	6	
		2018.11.15	2018.11.16	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12	

(IV) If the Company has established a Remuneration Committee, its composition, duties and operations shall be disclosed

1. Composition of Remuneration Committee

Category of Identity	Name	Conditions	Does the individual have more than 5 years of work experience and the following professional qualifications?			Compliance with Independence								Number of Other Public Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee	Note
			Currently serving as an instructor or higher post in a private or public college in the field of business, law, finance, accounting, or a discipline related to the Company's operational needs	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice for which the individual must undergo national examinations to obtain a specialized license that is relevant to the Company's operations	Work experience necessary for business administration, legal affairs, finance, accounting, or Company's operations	1	2	3	4	5	6	7	8		
Independent Director	Ted Tu			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None	
Independent Director	Chual-Hsin Teng			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None	
Independent Director	Houn-Gee Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None	

Note 1: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the "" sign in the field next to the corresponding condition(s).✓

- (1) Is not employed by the Company or its affiliated companies.
- (2) Is not a director or supervisor of the Company or any of its affiliated companies. This restriction does not apply to Independent Directors set up by the Company, its parent company or subsidiaries in accordance with the local laws or regulations of the country.
- (3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business.
- (8) No condition defined in Article 30 of the Company Act applies.

2. The duties of the Remuneration Committee: Evaluation of the Company's remuneration policy for the directors and managers and its performance. Recommendations are then made to the Board of Directors to facilitate decision making.

3. Operations of the Remuneration Committee: the Remuneration Committee of the Company is comprised of 3 members. They have been appointed for a term from June 15th, 2016 to June 14th, 2019. The Remuneration Committee met twice (A) in 2018. The qualifications and attendance of the members are as follows:

Job Title	Name	Actual attendance Number (B)	Number of Attendance by Proxy	Rate of actual attendance (%) [B/A]	Note
Convenor	Ted Tu	2	0	100%	None
Members	Chual-Hsin Teng	2	0	100%	
Members	Houn-Gee Chen	2	0	100%	

Other required disclosure:

1. In the event the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and number of the Board meeting, the content of the proposals, resolution from the Board of Directors, and the method the opinion from the Remuneration Committee was handled (e.g., if the salaries and compensations approved by the Board was higher than the suggested levels from the Remuneration Committee, please state the differences and reasons): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3. Discussions and Resolutions of the Remuneration Committee and the Company's Actions in Response to the Members' Opinions

Date	Term	Motion Content	Remuneration Committee Resolution	The Company's Actions in Response to the Opinions of the Remuneration Committee
2018.4.25	The 4th Meeting of the 3rd Term	<p>1.2018 Board Meeting on Hsun Chieh Investment Ltd.and remuneration for Independent Director Ted Tu.</p> <p>2.2018 Board Meeting on remuneration for Independent Directors Chual-Hsin Teng and Houn-Gee Chen.</p> <p>3.2018 Board Meeting on remuneration for managerial officers.</p>	<p>1.The Director, Ted Tu, had a personal interest in the discussion for his remuneration. Therefore, he abstained from voting due to the conflict of interest. Directors Chual-Hsin Teng and Houn-Gee Chen passed the resolution with no objection.</p> <p>2.The Directors, Chual-Hsin Teng and Houn-Gee Chen, had a personal interest in the discussion for their remuneration. Therefore, they abstained from voting due to the conflict of interest. Director Ted Tu passed the resolution with no objection.</p> <p>3.The motion was passed unanimously by the independent directors with no objection.</p>	None
2018.7.23	The 5th Meeting of the 3rd Term	<p>1.The employee bonus of the managerial officers of the Company in 2017</p> <p>2.The employee stock trust of the managerial officers of the Company in 2018</p>	All Independent Directors Passed without objection	None

(V) Fulfillment of social responsibilities

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>1. Corporate governance implementation</p> <p>(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?</p> <p>(2) Does the company provide educational training on corporate social responsibility on a regular basis?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Board of Directors has established the Corporate Social Responsibility Best Practice Principles. The CFO regularly reports its implementation to the Board of Directors. The Company established the Corporate Social Responsibility Management Committee in 2008, which is chaired by the Chairman. Presidents of business groups and CFO are responsible for planning strategies and setting objectives. The corporate social responsibility objectives of the Company are focused on topics of stakeholders' concern, the international trend of sustainable development (SDGs-17, the Paris Agreement, renewable energy and circular economy) social needs, the core corporate capacities and management strategies. Measures and strategies regarding sustainable economy, friendly environment, happy workplace and social participation have been made to implement the concept of corporate social responsibility, in order to carry out the vision of sustainable enterprise. For relevant information on the corporate social responsibility policy and governance structure, please refer to the Corporate Social Responsibility section on the Company website.</p> <p>(2) The Company arranges courses for the training of new recruits to promote the concept and practices of corporate social responsibility. The Company regularly organizes training courses with external instructors for its supervisors to understand the development of corporate social responsibility-related regulations, in order to establish a good corporate governance system and fulfill corporate social responsibility to facilitate the sustainable development of the Company.</p>	<p>No major derivation.</p>

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		(3) The Board of Directors of the Company has approved the Corporate Social Responsibility Best Practice Principles to promote CSR issues. A corporate social responsibility management committee has been established, and representatives have been set up under the supervision of the Presidents of business groups and CFO, responsible for promoting the implementation of major issues and projects. The CFO is responsible for reporting to the Board of Directors once every year. For details on the corporate social responsibility operations, please refer to "6. Other important information helpful in understanding CSR operations."	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		(4) The Company's remuneration policy evaluates the Company's operating results, industry standards as well as internal fairness to enhance competitiveness. Article 25 to the Company's Articles of Incorporation stipulates that if the Company has made profits for the year, 10% to 20% shall be allocated as employees' bonus. Through the performance management system, individual performance is taken into bonus consideration. The Company strives to create a work environment that lays emphasis on performance, justice and happiness, so that the employees will be able to perform their best. The Company values performance and rewards those who perform well. Through the objective performance management system, the Company is able to evaluate employee performance. Besides allowing the employees to make their own study plans and work goals, the Company also gives employees the opportunity to communicate directly with their supervisors to set work goals and plans to acquire necessary skills. The Company uses the performance appraisal results as a reference for annual salary adjustment, bonus	

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			distribution and future promotion. The Company has a clear reward and punishment system that stipulates corresponding behavior with reward and punishment practices. The management system is clear for the employees who know how to value disciplines.	
<p>2. Sustainable Environment Development</p> <p>(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p> <p>(2) Does the company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) Since 2004, the Company has actively promoted HSPM (Hazardous Substances Process Management) by implementing the concept of demolition and recycling. Green product qualifications have been gradually integrated into the QMS (Quality Management System). Actively promote green product design and green process technologies, including: 1. environmentally-friendly product design. 2. Green procurement supply chain management 3. The components/partly-finished products/finished product RoHS test. 4. Introduction of green process technology. 5. Clean production. 6. Education and training. 7. Design and manufacture of the "Environmental Label" products. 8. Inventory of product carbon footprint.</p> <p>(2) The ISO 14001 environmental management system has been applied to all plants in Taiwan and passed verification since the beginning of 2001. Re-verification every three years. Follow-up verification every year. In 2018, the Company has conducted a third-party verification of ISO14001 greenhouse gas, ISO50001 energy management system and green plant label for the clean production assessment.</p> <p>(3) To fulfill environmental protection responsibilities, the Company is committed to conducting the ISO14064-1 greenhouse gas emission inventory to manages the current status of greenhouse gas emissions and promotes measures regarding greenhouse gas inventory and reduction. The energy conservation and carbon reduction measures</p>	No major derivation.

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>implemented by the Company include aspects of air-conditioning systems, lighting and other power consumption. The total energy conservation of all plants for 2018 was approximately 712,755 kWh, representing a decrease of approximately 395 tons of CO2 emissions and achieved the annual power consumption target of the 1% decrease. In response to climate change, Taiwan has faced frequent droughts or heavy rain. Therefore, the consumption of water resources needs to be valued and actively managed. The total consumption of water in each plant for 2018 was 106,475 tons. To conserve water, the Company has set up water-saving taps for all restrooms and basins, which reduces water consumption by half. The water from air-conditioning condensation is also recovered for cooling towers. The rainwater is collected for watering plants, monitoring water flow, as well as reducing and controlling of water for kitchen use. The total amount of water recycled in 2018 was 15,524 tons. In the context of the environmental sustainability, the Company formulated and promoted environmental sustainability and occupational safety and health policies in 2018, as well as actively promoting environmental management plans. The various waste reduction plans and enhanced tracking of terminal processing show a waste recycle rate of 62%, with the 2018 operational waste production rate 1.8% lower than that of 2017.</p> <p>The Company is committed to the sustainable development by preventing pollution. The goal is turning "energy conservation, water conservation, waste reduction and carbon reduction" into the core of sustainable development and becoming a green enterprise. The Company will also undertake continuous improvement in environmental</p>	

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>protection and occupational safety and health management. The carbon reduction and GHG reduction measures aim to achieve the following seven environmental sustainability initiatives:</p> <ol style="list-style-type: none"> 1.The priority and responsibility of all employees are ensuring the Company's operations are environmentally-friendly, safe and sanitary. 2. The operations shall comply with the Occupational Safety and Health Act and the regulations of the Environmental Protection Act. 3. Implementing hazard identification, risk assessment and operational control to reduce the risks of business operations. 4. Preventing occupational hazards and promoting a health lifestyle to create a friendly and safe workplace. 5.Product life cycle is prioritized by taking circular economy, lower environmental impact and global warming issues into consideration. 6.Promoting green design and clean production with the goal of becoming a model in energy conservation and carbon reduction. 7.Continuously engaging in the education and communication on environmental sustainability and safety and health issues with the stakeholders. <p>Energy Conservation and Carbon Reduction Objectives:</p> <ol style="list-style-type: none"> a.Beach cleaning and environmental education (120 persons/year), the total of 240 persons/720 hours from 2018 to 2019. b.The participation rate of the 4-hour online environmental education course is expected to reach 80% in 2019. c. Promoting stair-climbing: the number of steps is expected to increase by 10% in 2018 from that in 2017. 	

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>d. Waste reduction: the average reduction of 3% per year, and the accumulated decrease of 6% is expected in 2019.</p> <p>e. The energy conservation and carbon reduction is expected to reach an 8%-difference between 2019 from 2015.</p> <p>f. Water conservation of each plant is expected to reduce 5% in 2019 in comparison with 2015.</p> <p>g. The Company expects to join the government electronic exchange mechanism in 2019 and import the electronic exchange system. This will facilitate the process by saving time, cost of paper and stamps so as to conserve paper and other resources.</p>	
<p>3. Preserving Public Welfare</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company is a corporate citizen of the electronic industry and it abides by the RBA commitment. The Company fulfills the corporate social responsibility by ensuring the basic human rights of all employees. The Company recognizes and complies with the "Human Rights Declaration", "The United Nations Global Covenant", "Guiding Principles on Business and Human Rights" and international covenants from the "International Labor Organization." The Company set up the "Human Rights Policy" based on internationally-recognized guidelines to prevent all behaviors that violate human rights. All employees are treated with justice, fairness and respect with their human rights and legal rights under strict protection.</p> <p>(2) In order to protect employees' rights, the Company has set up employee suggestion boxes in all plants and on all floors, an email suggestion box (8585@coretronic.com) and a hotline (extension: 8585) to provide employees with diversified channels dedicated to employee's feedback. Dedicated staff have been appointed to handle the complaints and suggestions, as well as being given the</p>	No major derivation.

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<p>mandate of coordinating with relevant units to address the issues.</p> <p>(3) To take care of employee health and promote health manager, the Company set up the "Health Line" group to provide employees with health information. The Company has also started a variety of sports clubs to encourage a healthy lifestyle, such as yoga club, softball club and badminton club. Healthy meals are also offered as part of the effort of keeping the employees healthy. Moreover, the Company attaches great importance to the health and wellness of its employees. Eye exams, female cancer screening, jogging knowledge session, influenza vaccination and various health promotion seminars are organized to help the employees create a healthy lifestyle. In line with the requirements of the Occupational Safety and Health Act, health checks are regularly organized. In addition, the Company added cancer screening and thyroid ultrasound, which have been well-received by the employees. Hazard risk assessments (including human factors engineering, overwork, workplace violence prevention, maternal protection) are also conducted to create a sustainable and healthy workplace. For other work environment and employee safety protection measures, please refer to the details in "5. Labor Relations/(IV) Work Environment and Employees' Personal Safety Protection Measures" in the operation overview of this annual report.</p>	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		<p>(4) Business group meetings, department meetings, labor-management meetings, internal announcement system and internal publications are organized by the Company to facilitate employee understanding of the Company's operations.</p>	

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(5) Does the company provide its employees with career development and training sessions?	✓		<p>(5) The Company has established a training policy and comprehensive training plan by combining the vision with operational objectives to enhance the competitiveness of the employees' personal career development. The relevant training courses are listed below:</p> <p>(a) Corporate culture: The Company will develop core competency courses based on the Coretronic corporate culture, "R.I.S.E," allowing the employees to implement responsibility, innovation, superiority, and entrepreneurship. The Company organized a series of RISE seminars for the famous external lecturers to share and encourage the employees to read. The goal is encouraging all employees to focus on corporate culture, enhancing the power of corporate culture, and implementing it in work as well as life.</p> <p>(b) Professional Training: The Group provides three types of training courses, including: (i) general knowledge management, (ii) management skills training (iii) professional competency training for different categories to help achieve work targets.</p> <p>(c) Training courses for international talent cultivation: In response to the pace of globalization of the Group, the Company launched English courses as part of the English language improvement project. New Southbound Policy Seminars have also been organized in line with the government's New Southbound Policy. External speakers have been invited to talk about the policy to promote industry knowledge as well as policy understanding to enhance competitiveness on an international level.</p> <p>(d) New employee training:</p>	

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		<p>The Company assists new employees to understand the corporate culture, the code of conduct of the industry, avoiding conflict of interests with suppliers, ethical corporate management and ethical behavior standards through a diversified course design. The employees will soon fit in the environment through boosting recognition, understanding all corporate rules, welfare policy and administrative regulations.</p> <p>(6) The Company values customer feedback and has established comprehensive customer service channels including email (ser@coretronic.com), interviews, telephone interviews, dedicated customer service staff and customer satisfaction survey to enhance customer satisfaction.</p> <p>Moreover, the Company is committed to fully understanding the customer needs in terms of research and development, product procurement, production quality and operating environment so as to facilitate timely responses.</p>	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		<p>(7) The specifications are attached to the product with content that is consistent with the relevant laws and international standards, as well as being supported by test reports.</p>	
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		<p>(8) The Company has established the "Operating Procedures for Supplier Management" and the "Supplier Safety and Health Management Operating Guidelines" as references for supplier evaluations. Only suppliers that comply will be qualified. The assessment results will be established in the evaluation results. On-site audits will be performed for suppliers that may have an impact on the environment and society. Advice will be given in order to reduce environmental pollution.</p> <p>The Company has established "IECQ QC 080000 Hazardous Substance Management System," which is carried out in three stages in the green supply chain process</p>	

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		management: filter supplier → select supplier → track supplier. The supplier must sign the "Green Product Commitment" to ensure the products meet the requirements of the Chemical Substances Concentration requirements from different countries. (9) In order to fulfill corporate social responsibility under the global supply chain, the Company will remove suppliers that have a negative impact on the environment, labor conditions, human rights and the society. If the materials supplied by the supplier are highly irreplaceable, the Company will assist in the elimination of the aforementioned major negative impacts to maintain the effective operation of the supply chain.	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		(1) The Company has issued CSR report since 2008 to disclose information on corporate social responsibility. The report is uploaded to the Company website and the Market Observation Post System (MOPS). The Company's website also contains a corporate social responsibility section with updated relevant information for the investors' reference.	No major derivation.
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company has established the Corporate Social Responsibility Best Practice Principles that have been approved by the Board of Directors. The Company has also compiles the Corporate Social Responsibility Report and discloses the content on the Company website and the Market Observation Post System (MOPS). There are no major discrepancies.				
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices : (1) Sustainability awards..1. For 4 consecutive years from 2015 to 2018, the Company ranked the top 5% in the company's corporate governance evaluation. 2. The company has been listed in the "Corporate Governance Index" for 4 consecutive years from 2015 to 2018. 3. From 2012 to 2018, the Company won the "Corporate Citizen Award" (Top 30) from the Commonwealth Magazine for 7 times in a row. 4. Passed the "2018 Year of Sports Enterprise Certification Site Visit" by the Sports Administration of the Ministry of Education. 5. Received TCSA Taiwan Enterprise Sustainability Report - Gold Award for two consecutive years from 2017 to 2018. 6. Won the 2018 TCSA Taiwan Enterprise Sustainability Award "Transparent Integrity Award - First Place." 7. Winner of the 2017-2018 "Buying Power-Social Innovation Product and Service Purchasing Reward - First Prize" from the Ministry of Economic Affairs. 8. In 2018, the Jhunan Factory won the "27th Republic of China Enterprise Environmental Protection Award - Silver Award" from the Executive Yuan Environmental Protection Agency, and the Nanke and Li Hsing Factories awarded the "Environmental Protection				

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	Yes	No	Abstract Illustration	
<p>Award of the Republic of China for the Republic of China - Bronze Award" in 2018. 9. In 2018, both the Jhunan and Li Hsing Factories won the "Waste Reduction and Circular Economy Excellence Enterprise Award" from the Hsinchu Science Park. 10. In 2018, the Jhunan Factory won the "Energy Conservation Excellence Award - Energy Saving Elite Award" from the Ministry of Economic Affairs. 11. Awarded the "Outstanding Unit for Green Procurement of Private Enterprises" from the Miaoli County government in 2017. 12. From 2017 to 2018, the Nanke Factory won the "Environmental Protection Excellence Award" from the Tainan Science Park for two consecutive years.13. The Nanke Factory won the "Energy Conservation Model Award" from the Tinan Science Park in 2018. (2)Social Participation: 1. The social contribution cost 2018 exceeded NT\$16.85 million, the number of volunteers reached 463 people with a total of 2,904 hours, helping 4,672 disadvantaged people, 31 schools in rural areas and 22 social welfare organizations. 2. Rice donation: purchased more than 23 tons of rice from Yuanli, Miaoli for 7 consecutive years, donated 1,136 kilos to Huashan Foundation and Andre Food Bank in 2018, benefiting a total of 378 disadvantaged people. 3. "Dream Come True on Children's Day: donated stationery and snacks to Tan Weng, Long Shen, Xinglong, Wenfeng, Nanhe, Xihu and Ruihu Elementary Schools, benefiting 329 rural students. 4. "Stay Warm for Christmas": employees spontaneously donated money to purchase warm jackets, stationery and popcorn to Meiyuan Elementary School and Kindergarten in Tai'an Township, Miaoli County, Taixing Elementary School and Kindergarten, Wenshui Elementary School and Kindergarten, Zhuolan Town Xiao Jie Elementary School and Kindergarten, Jingshan Elementary School and Kindergarten, Shuanglian Elementary School, Feng Tien Elementary School and Kindergarten, and sponsored the Child Welfare Alliance's fund-raising campaign as well as the World Peace Association, benefiting a total of 541 children from rural areas. 5. Light of Love Public Welfare Run: A total of 285 employees and their families participated in the event. It is a combination of sports (running), environmental protection (beach-cleaning activities) and public welfare (Huashan Foundation, World Peace Association, Ai Heng Foundation, Yo An Orphanage, Children Are Us Foundation, Taiwan World Vision, Genesis Social Welfare Foundation and Zenan Homeless Social Welfare Foundation, a total of 8 public interest groups were invited to host charity sales on site). All registration fees went to the Huashan Foundation to sponsor New Year's Eve dinners to disadvantaged elderly people, benefiting 120 people. 6. Baseball Initiative : To fulfill the responsibility of a healthy enterprise, carry out corporate social responsibility, and continue the tradition of the Company's sports promotion, the Company officially sponsored the Xiu Lin Elementary School baseball team in Minxi Township, Chiayi County, and held a friendly match between the Coretronic softball tea, and the Xiulin Elementary School baseball Team, with 75 employees in participation. 7. Factory Invitation: invited students from Haibao, Tienmei, Nanhe, Fuji, Wumei and Wushhu Elementary schools to visit the product display rooms of the Li Hsing and Jhunan factories, with 269 students and teachers in total as well as the visit of the Science Park Discovery Center to eliminate the digital difference between urban and rural areas. 8. "Multi-functional digital classroom": Equipped Taixing, Tienmei, Haibo, Nanhe, Fuji, Wushu Elementary Schools with the product that won the award of "Innovative Products of Hsinchu Science Park Management Bureau," namely the "Laser Ultra Widescreen Touch System" as well as ultra-short-focus laser projectors for 7 rooms, enhancing digital teaching ability and benefiting 437 teachers and students. 9. "Guangyao Technology Camp": In cooperation with the National United University Information Volunteer Team, the Company used the multi-functional digital classroom equipment to teach programming, film editing and handmade Google VR helmet to a total of 68 rural students in Penglai Guoxiao, Dahu Township, Wurong Elementary School and Dongxing Elementary School in Nanzhuang Township, Miaoli County. 10. "Technology Donation: donated 15 high-end projectors to the Good Liver Foundation, the Republic of China Police Friendship Association, National Taiwan University Hospital, National Taiwan University Medical School, as well as sponsoring 33 high-end projectors for 6 video art exhibitions to support and promote Taiwanese arts and cultural activities with practical actions. 11. "Farm of Hope": Purchased more than 23 tons of organic vegetables from social enterprises, "Neighboring Food" and "Friendly Land" for employee meals. Not only does it increase the income of disadvantaged small farmers, but also supports local agriculture in Miaoli and Tainan. 12. "Charity Cabbage": Purchased 4,828 cabbages from farmers in Qingnong Township, Yunlin County, and Xinyi Township, Nantou County, and gifted to 2,318 employees to support local farmers. 13. Setting up donation boxes at various factories for World Peace Association, World Vision Association, The Garden of Hope, Catholic Good Shepherd</p>				

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>Social Welfare Foundation, Miaoli County Tongxin Physical and Mental Disorders Association, World Peace Alliance and World Vision. 14. The Coretronic Culture and Arts Foundation is committed to promoting light environment awareness and lighting up Taiwanese culture. The results of 2018 are divided into three parts: (a) Taiwan Light Environment Award: to award entities with contribution to the good environment of Taiwan and promote award-winning works to demonstrates the influence of the light on the improvement of quality of life, and direct the attention of governments at all levels to public constructions and the environment, the first "Taiwan Light Environment Award" was held. Li Ganlang, Lin Huaimin, Xia Zhujiu, Guo Zhongduan, Jiang Xun, Xue Qin served as judges, and the committee was chaired by the international lighting expert Zhou Lian. (b) Lighting plan: the three temples of Dadaochen (including Taipei Xiahai The City God Temple, the Taipei Master Temple, and the Dadaochen Cixi Temple) are used as cultural venues for the "Da Dao Chen Light and Shadow Workshop" and the "Practice of Traditional Art in Contemporary Society." The stories of the area and the development of art and literature were told to increase the students' perception of the light environment. (c) "Light Creation": Cooperated with Tai'an Junior High School's teachers and students in Miaoli County. Recruited 29 students to show their personalities in the creation and construct their own creative language. They were also assisted to find a suitable venue on the campus, and finally completed the campus environmental theater performance. This project has also been selected as part of the Asia Education Expo. (3) Consumer rights: Products comply with the international banned substances regulations and environmental protection requirements. The green design, production, procurement and green management system are in place to prevent and reduce the impact of electronic products on the environment. (4) Human Rights: 1. Labor-management meetings are held in compliance with "Regulations for Implementing Labor-Management Meeting." 2. Established sexual harassment prevention measures to prevent workplace sexual harassment and protect victim rights and privacy. 3. Employees' suggestion boxes, employee care hotline, and discussion forum are established for relevant units to provide feedback and solutions. (5) Safety and Health: 1. To effectively enhance employees' awareness of environmental, safety and hygiene, courses of four topics have been planned, including "Pre-job Training", "On-the-job Training", "Regular Training" and "Environmental Safety and Health Management System Training". 2. The Company has established a digital learning website featuring e-environmental safety and health education training courses for employees to sign up at their convenience. 3. The Company provides cards with environmental and safety and health policies to promote the Company's environmental safety and health policies to employees, as well as implementing environmental safety and health management systems. (6) Environmental Protection: 1. The Environmental Protection Committee was established in 2015, promoting the concept of corporate sustainability management, as well as defining sustainable development strategies, setting its short, mid, and long-term goals with periodic evaluation on the results. The "Environmental Sustainability and Occupational Safety and Health Policy" was introduced in 2018. 2. Li Hsing, Jhunan and Nanke factories have passed ISO 14064-1 greenhouse gas inventory, ISO 14001 environmental management system, OHSAS 18001 occupational safety and health management system, CNS 15506 Taiwan occupational safety and health management system. 3. Jhunan Factory Passing ISO 50001 energy management system. 4. Nanke factory passed the assessment by clean production evaluation system. 5. No major environmental protection violations for 7 consecutive years. 6. The 263.19 degree solar power system established in the Nanke factory. 7. Jhunan factories purchased 50 Renewable Energy Certificates (50,000 kWh). 8. Convening environmental protection volunteers to participate in educating the teachers and students about energy-saving measures in the plant. 9. Promote environmental point-gathering activities, reward employees for being environmentally conscious, and work with employees to build a green enterprises. 10. Promote online green education and organize green education activities in the factory (Earth Day handmade bamboo straw / green shopping bag DIY / planting greeneries. 11. Promote green accounting system, preferential procurement of green products. 12. Set air quality monitoring equipment and implement improvement measures, regularly monitor results to build a friendly working environment. (7) Happy workplace: 1. Li Hsing Factory, Jhunan Factory and Nanke Factory all received the "Healthy Workplace Certification-Health Promotion Label" from the Ministry of Health and Welfare fin 2018. 2. Both the Li Hsing Factory and the Jhunan Factory received the "CPR+AED Relief Site Certification" from the Ministry of Health and Welfare in 2018. 3. Li Hsing Factory received the "National Excellent Health Workplace - Vitality Award" for</p>				

Evaluation Items	State of Operations			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
2018 from the Ministry of Health and Welfare. 4. The annual salary was adjusted, with the average staff getting an extra 3-5%. 5. Provided 23 Job vacancies so that employees' children/students have the opportunity for an internship or industry-university cooperation. (8) Other social responsibilities activities: The Company has established an online reporting system for information on the Company's information. The dedicated personnel is responsible for the collection and disclosure of company information. The Company will also be responsible for the information that may affect the decision-making of the shareholders and stakeholders.				
7. If the company's corporate social responsibility report has passed the verification criteria of the relevant verification agency, it should be stated: Since 2008, the Company has issued a corporate social responsibility report on a yearly basis. Since 2016, it has commissioned a third-party verification unit, SGS, to guarantee that it has obtained the AA1000AS Type I Moderate Assurance Level Guarantee Statement in 2016 and 2017, and obtained the AA1000AS Type II Guaranteed Level Statement in 2018, successfully enhancing the credibility of the content of the company's corporate social responsibility report.				

(VI) Implementation of Ethical Corporate Management and Measures for its Implementation

Assessed Item	State of Operations			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				No major derivation.
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		(1) The Company has established the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct." The Company requires the Directors, managers and employees to abide by the principle of integrity. All business interactions are established based on the principle of good faith and thus establishing good corporate governance and risk control mechanism. The Company's annual report and the Company's website also disclose the implementation of ethical corporate management policies, and the implementation is reported each year to the Board meetings.	
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant	✓		(2) The Company has a "Integrity Operating Procedures and Conduct Guide" which states that directors, managers and	

Assessed Item	State of Operations			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Abstract Illustration	
<p>procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	✓		<p>employees shall not directly or indirectly provide, promise, demand or accept any improper benefits or engage in behavior that violates good faith, illegal or breach of fiduciary duty, etc., in order to obtain or maintain benefits during business transactions. The guidelines are clearly defined in the disciplinary and grievance system. The relevant regulations are published on the Company's intranet website for employees.</p> <p>(3) The Company is engaged in business activities based on the principles of fairness, honesty, integrity and transparency. It is the Company policy to implement ethical corporate management. The Company has also established the Procedures for Ethical Management and Code of Conduct to specifically regulate the matters that the company's personnel should pay attention to when engaging in business transactions. For example: the Company shall not provide or accept any improper benefits or bribery in other forms. All corporate transactions shall be completed in a transparent manner and shall be truthfully reflected in the Company's accounts and records. The monitoring and enhancement procedures shall be implemented to ensure compliance with the ethical corporate management requirements.</p>	
<p>2. Fulfill operations in integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to</p>	✓		<p>(1) Before any business transactions, the Company will confirm whether the counterparty has a record of dishonesty, and the supplier must sign the company's integrity commitment letter to ensure that the parties engage in fair and transparent transactions. The supplier who causes Company damage by violating the anti-bribery and anti-corruption measures, will be taken to court according to the terms of the integrity agreement signed by the vendor.</p> <p>(2) The Board of Directors of the Company has approved the "Ethical Corporate Management Best Practice Principles" and</p>	No major derivation.

Assessed Item	State of Operations			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Abstract Illustration	
<p>be in charge of corporate integrity?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>"Procedures for Ethical Management and Guidelines for Conduct" to be formulated and implemented by the human resources department of the Company. The Company regularly reports the implementation of corporate ethical corporate management to the Board of Directors every year.</p> <p>(3) The Company shall set out rules for the avoidance of conflict of interest in the Directors' Meeting Rules. Those who have personal interests in the matters or for the legal persons they represent, and could therefore cause harm to the interests of the Company, shall not participate in the discussion and voting. The Company has established the "Regulations Governing the Avoidance of Interests in Suppliers" and "Code of Conduct for the Electronic Industry" and established a reporting hotline (extension: 8215) and email (8215@coretronic.com) to provide employees and the general public with a grievance mechanism. The Company also printed integrity cards which provide the employees with access to the information and to promote the concept through online courses.</p> <p>(4) The Company's accounting and internal control systems are established according to the regulations stipulated by the competent authority. The financial report is prepared in accordance with International Accounting Standards. Off-the-book or secret accounts are not allowed. The effectiveness is regularly reviewed. The internal auditors of the Company regularly review the compliance of the aforementioned system and report the implementation to the Board of Directors. The CPA also reviews the implementation of the Company's accounting system and internal control system annually.</p> <p>(5) In addition to actively training new recruits, the Company will arrange training courses on ethical corporate management (including the Ethical Corporate Management Best Practice</p>	

Assessed Item	State of Operations			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Abstract Illustration	
			Principles, the Procedures for Ethical Management and Guidelines for Conduct and Code of Conduct, etc.) to promote the Company's ethical corporate management and practice. Starting from 2018, the Company has made the "Ethical Corporate Management" course mandatory as well as handing out the integrity reminder cards. Total number of trainees for 2018 was 1,042 people, and the total number of training hours was 521. The Company regularly organizes training courses on ethical corporate management to develop internal and foreign business related regulations. The Company establishes the corporate culture of integrity, sound development and good business operations.	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1)The Company has established a dedicated channel for employees and external parties to report any non-complying behavior with ethical standards. The Company also provides a reporting hotline (extension: 8215) and email (8215@coretronic.com) for dedicated staff to address all complaints.</p> <p>(2)The company has set up the “Integrity Operation Procedures and Behavior Guidelines” to specify the standard operating procedures for investigations and confidentiality mechanisms. The investigation is handled in accordance with the above-mentioned operating procedures and behavioral guidelines with strict confidentiality.</p> <p>(3)The Company maintains confidentiality of the identity and content of reported misconduct, as well as making sure the whistleblower is not subject to any improper punishment.</p>	No major derivation.
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and</p>	<p>✓</p>		<p>(1)The Company discloses the contents of the "Integrity Code of Practice" and the "Integrity Operation Procedures and Conduct Guidelines" on the Company's website as well as its</p>	No major derivation.

Assessed Item	State of Operations			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Abstract Illustration	
MOPS?			implementation. It adheres to the principle of good faith and corporate governance to ensure shareholders' rights and achieve sustainable business objectives.	

5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.

The Company has established the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" and gives out "integrity reminder cards" and the digital courses to provide employees with follow-up. In addition, the Company has established the "Corporate Social Responsibility Best Practice Principles", "Code of Practice" and "Code of Ethical Conduct" to enhance ethical corporate management. For the aforementioned implementation of ethical corporate management, please refer to the "(6) Company's Ethical Corporate Management Implementation and Measures" in this annual report.

6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies).

Since 2014, the Company has successively formulated the "Code of Integrity Management, "Code of Ethical Conduct" and "Guidelines for Integrity Operation Procedures and Conduct," which clearly state that the employees should conduct business with high integrity and must not use the Company's assets to seek personal gains, compete with the Company, or damage the Company's and customers' rights. In addition, in order to implement the spirit of integrity in employee behavior, the new recruits' training covers the employee's ethical code of conduct to promote honest and ethical behavior.

To promote ethical corporate management philosophy, the Company has established the "Employee Ethics Guidelines" on the Company's internal website, dedicated to the relevant regulations, reporting channels and cases sharing. Furthermore, to allow all employees access to the Company's ethical corporate management philosophy, the Company will also be able to promote the spirit of ethical corporate management through giving out "integrity reminder cards" as well as making the integrity online course mandatory starting from 2018.

(VII) If the Company has established the Corporate Governance Best Practice Principles and relevant regulations, the means of inquiry should be disclosed: The Company's website has an "Investor Relations - Corporate Governance" section to provide investors with the relevant regulations for corporate governance.

(VIII) Other information that can enhance the understanding of the state of corporate governance at the Company:

1. The Company continues to strengthen corporate governance operations. The Company has added relevant regulations as well as Board resolutions to the Investor Relations section for investors' reference.
2. The Company has been ranked in the top 5% of the corporate governance evaluation for listed companies for 5 consecutive years, which shows the Company's effort in corporate governance has been recognized.
3. To continuously enhance corporate governance information, the Company actively relays training information to the Directors of the Company. The total of seven Directors are in compliance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" in terms of continuing education.

(IX) The implementation of the internal control system should disclose the following items

1. Any CPA commissioned to conduct an internal control system at the request of Securities and Futures Bureau shall disclose the CPA's audit report: None.
2. Statement of Internal Control

Coretronic Corporation
Statement on Internal Control System

Date: 28th January, 2019

The Company's internal control system for 2018 is announced based on the results of self-evaluation. The following is a summary of the Company's internal control system:

- I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has established such system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations
- II. The internal control system has inherent limitations, regardless of how comprehensive the design is. The internal control system is designed to provide reasonable assurance on the achievement of the above three projects. The effectiveness of the internal control system is subject to change due to the environment and conditions. However, the Company's internal control system contains self-monitoring mechanisms. Action will be taken once a flaw has been identified.
- III. The Company has made judgments on the effectiveness of internal control system according to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The design and implementation of the internal control system shall be determined by the Company. The internal control system adopted in the "Regulations" is the process of management control, and is divided into five elements: 1. The control environment, 2. Risk assessment, 3. Control, 4. Information and communication, and 5. Supervision. Each constituent element includes a number of items. For the aforementioned item, please refer to the Regulations.
- IV. The Company has adopted the abovementioned internal control system assessment to evaluate the effectiveness of the internal control system design and implementation.
- V. The Company's internal control system (including the assessment and management) as of December 31st, 2018 is effective after taking the design and implementation into consideration, including the understanding of the effectiveness of the operation and the achievement of the efficiency objectives, reliable reporting, timely, transparent and in compliance with relevant regulations, laws and regulations, is effective in ensuring the above objectives are achieved.
- VI. This Declaration will become the main content of the Company's annual report and shall be made public. Any falsehood, concealment, or other illegality in the content made public will

entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement has been approved by the Company's Board of Directors on January 28th, 2019. Out of the 7 Board members in attendance, none had objected to it and all consented to the content expressed in this statement.

Coretronic Corporation

Chairman: Wade Chang

President: Sarah Lin

SY Chen

- (X) Penalties imposed on the Company and its staff, penalties imposed on its staff by the Company for violating the internal control system, major deficiencies and improvements in the most recent year up to the publication date of this annual report: None.
- (XI) Important resolutions of the Shareholders' Meeting and the Board of Directors in the most recent year up to the publication date of this annual report: Please refer to the Company's announcements on the Market Observation Post System (MOPS) and the Company's website.
- (XII) Where Directors have been prepared for any dissenting opinions in the Board meeting by resolution of the Board of Directors in the most recent year up to the publication date of this annual report, the main content of the said resolutions: None.
- (XIII) Resignation and dismissal of personnel involved in the financial report including the Company's Chairman, President, accounting manager, financial manager, internal audit manager and R&D manager in the most recent fiscal year up to the date of publication of the Annual Report: None.
- (XIV) The procedures for handling the Company's internal material information: To establish the Company's insider trading prevention management mechanism, it shall prevent information from improper leakage and ensure the consistency and accuracy of the Company's external information. Hence, the Company has established the "Measures for the Prevention of Insider Trading" and the "Administrative Measures for the Prevention of Insider Transactions" with reference to the "Procedures for Handling Material Inside Information" with the approval of the Board of Directors for compliance. In addition, the Company will forward information from relevant authorities on the prevention of insider trading to directors and managers, and encourage them to participate in courses organized by the competent authorities.

V. Accounting Fees

Accounting Firm	Name of CPA		Audit Period	Note
Ernst & Young , Taiwan	Hsin-Min Hsu	Chih-Chung Chen	2018.1.1~2018.12.31	None

Interval of the Amount		Professional Fees	Audit Fees	Non-Audit Fees	Total
1	Less than NT\$ 2,000,000			✓	✓
2	NT\$ 2,000,000 (inclusive) to NT\$ 4,000,000		✓		✓
3	NT\$ 4,000,000 (inclusive) to NT\$ 6,000,000				
4	NT\$ 6,000,000 (inclusive) to NT\$ 8,000,000				
5	NT\$ 8,000,000 (inclusive) to NT\$ 10,000,000				
6	NT\$ 10,000,000 (inclusive)				

1. If the non-audit fees paid to CPAs, the accounting firm and its affiliated companies are more than one-fourth of the audit fees paid to the CPA, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed: None.
2. The amount and nature of non-audit fees paid to CPAs and affiliated companies of the accounting firm:

Unit: NT\$ 1,000

CPA Name of accounting firm	Name of CPA	Audit Fees	Non-Audit Fees					CPA Audit Period	Note
			System Design	Industrial Registration	Human Resources	Others	Subtotal		
Ernst & Young Accounting Firm	Hsin-Min Hsu Chih-Chung Chen	3,620	0	60	0	110	170	2018.01.01 ~ 2018.12.31	The non-audit fees include NT\$ 90,000 for inventory and NT\$ 20,000 for business tax inspection.

3. Where the CPA firm was changed and the audit fees were less than that of the previous year before replacement, the sum, proportion, and reason for the decrease in audit fees shall be disclosed: None.
4. Where accounting fee paid for the year was more than 15% less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

VI. Information Regarding Replacement of CPAs:

(I) Regarding the former CPA

Date of Replacement	2017.04.26		
Replacement reasons and explanations	Internal business adjustment of Ernst & Young		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Voluntary termination of the appointment	—	—
The opinions and reasons in the signed and issued audit reports which were not "unqualified opinion" in the last two years	No longer accepted (Continuous) appointment	The Company originally appointed CPAs Hsin-Min Hsu and Jin-lai Wang of Ernst & Young to audit the financial report. Due to Ernst & Young's internal organization adjustment, the financial reports have been audited by Hsin-Min Hsu and Chih-Chung Chen since the first quarter of 2017.	
		None	
Differences within the company	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None	✓	
Other Revealed Matters (Items that shall be Disclosed in accordance with Article 10-6, 1-4 to 1-7)	Description	None	

(II) Regarding the successor CPA

Name of accounting firm	Ernst & Young , Taiwan
Name of CPA	Chih-Chung Chen
Date of Appointment	2017.04.26
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(III) Former CPAs' reply to Item 1 and Item 2-3, Subparagraph 6, Article 10, of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable

VII. The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during the past year. The affiliated companies of the firm to which the CPAs belong refer to the accountant holding more than 50% of the shares or having obtained more than half of the directors' seats, or the information is issued or published by the firm as an affiliated company or institution: Not applicable.

VIII. Conditions of share transfer and changes in equity pledge from the Chairman, managers, and shareholders who hold more than 10% of shares, from the past year up to the date printed on the Annual Report

(I) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name (Note 1)	2018		Up until April 15, 2019	
		Number of Shares Held Holding increase (decrease)	Number of Pledged Shares Holding increase (decrease)	Number of Shares Held Holding increase (decrease)	Number of Pledged Shares Holding increase (decrease)
Chairman and CEO	Wade Chang	0	0	0	0
Director	Hsun Chieh Investment Ltd. Representative: Ho Tai-Shun	0	0	0	0
Director and President	Sarah Lin	(54,000)	0	682,576	0
Director and President	SY Chen	0	0	170,644	0
Independent Director	Ted Tu	0	0	0	0
Independent Director	Chual-Hsin Teng	0	0	0	0
Independent Director	Houn-Gee Chen	0	0	0	0
CFO	Franck Ho	0	0	42,662	0
CTO	Fleming Chuang	0	0	34,130	0
CTO	Robert Hsueh	0	0	51,194	0
CIMO	Daniel Lee	0	0	34,130	0
Vice President	Carol Wu	(36,000)	0	42,662	0
Vice President	Sara Lin	0	0	81,908	0
Vice President	Ken Wang (Note 2)	(25,000)	0	(Note 2)	(Note 2)
Vice President	Wilson Hsu	0	0	34,129	0
Associate Vice President	Miranda Wang (Note 2)	0	0	(Note 2)	(Note 2)
Associate Vice President	YC Chen (Note 3)	(Note 3)	(Note 3)	28,442	0

Note 1: The Company has no major shareholder with more than 10% of shares.

Note 2: Adjustment of duties as of December 31st, 2018.

Note 3: Adjustment of duties as of January 15th, 2019.

(II) Information on the transfer counterparty who is related: None.

(III) Information on the counterparty of equity pledge who is related: None.

IX. Top 10 shareholders who are related parties, spouses or second degree relatives

April 15th, 2019

Name	Current Shareholding		Spouse and Minor Shareholding		Total Shares Held in the Name of Other Persons		Names and Relationships of the Top 10 Shareholders Who are Spouses or within Two Degrees of Kinship		Note
	Number of Shares	Shareholding Ratios	Number of Shares	Shareholding Ratios	Number of Shares	Shareholding Ratio	Title (or name)	Relationship	
Tai Wei Advanced Co., Ltd.	20,484,196	4.72%	0	0.00%	0	0.00%	None	None	None
Tai Wei Advanced Co., Ltd. Representative: Hsiang-Yi Wang	Note	Note	Note	Note	Note	Note	Note	Note	None
Hsun Chieh Investment Ltd.	15,062,551	3.47%	0	0.00%	0	0.00%	None	None	None
Hsun Chieh Investment Ltd. Representative: Ping-Kun Hung	Note	Note	Note	Note	Note	Note	Note	Note	None
Investment account in the Norges Bank entrusted to Citibank Taiwan	10,044,274	2.31%	0	0.00%	0	0.00%	None	None	None
Investment account in Goldman Sachs Group, Inc. entrusted to HSBC Bank (Taiwan)	9,564,218	2.20%	0	0.00%	0	0.00%	None	None	None
China Life Insurance Company	8,463,800	1.95%	0	0.00%	0	0.00%	None	None	None
China Life Insurance Company Representative: Alan Wang	Note	Note	Note	Note	Note	Note	Note	Note	None
Wade Chang	7,921,463	1.82%	0	0.00%	0	0.00%	None	None	None
Coretronic Corp. trust property account for employees' equity entrusted to CBTC Bank	7,681,174	1.77%	0	0.00%	0	0.00%	None	None	None
Morgan Stanley investment account entrusted to HSBC Bank (Taiwan)	7,488,973	1.72%	0	0.00%	0	0.00%	None	None	None
Assesment for dimensional new markets' fund investment account entrusted to Citibank	6,680,800	1.54%	0	0.00%	0	0.00%	None	None	None
Vanguard Group manager's new market share indicator fund investment account entrusted to JP Morgan Chase Bank (Taipei)	6,653,400	1.53%	0	0.00%	0	0.00%	None	None	None

Note: As of the publication date of this annual report, relevant information has not been obtained.

X. Number of shares held by the Company, its Directors, Managers and the Company's directly or indirectly-controlled businesses as well as consolidated shareholding percentage

December 31st, 2018. Unit: Shares; %

Investment in other companies (Note)	Investment from the Company		Investments of Directors, Managers and directly or indirectly controlled businesses		Consolidated investments	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
GeneJet Biotech Co., Ltd	1,575,000	19.51%	—	—	1,575,000	19.51%

Note: Invested by the Company using the equity method

Chapter 4 Capital Overview

I. Source of Capital

Unit: NT\$; share

Year/Month	Par value	Authorized capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
2004.11	10	650,000,000	6,500,000,000	437,796,953	4,377,969,530	Convertible corporate bonds can be converted into ordinary shares worth NT\$28,840,460	None	Note 1
2005.08	10	810,000,000	8,100,000,000	520,205,466	5,202,054,660	Recapitalization of retained earnings: NT\$700,475,130. Employee bonus transfer: NT\$ 123,610,000.	None	Note 2
2005.12	10	810,000,000	8,100,000,000	520,895,389	5,208,953,890	Convertible corporate bonds can be converted into ordinary shares worth NT\$6,899,230	None	Note 3
2006.03	10	810,000,000	8,100,000,000	547,830,363	5,478,303,630	Convertible corporate bonds can be converted into ordinary shares worth NT\$269,349,740	None	Note 4
2006.04	10	810,000,000	8,100,000,000	564,348,375	5,643,483,750	Convertible corporate bonds can be converted into ordinary shares worth NT\$165,180,120	None	Note 5
2006.08	10	1,000,000,000	10,000,000,000	667,375,738	6,673,757,380	Recapitalization of retained earnings: NT\$829,915,470. Employee bonus transfer: NT\$ 200,358,160.	None	Note 6
2007.08	10	1,000,000,000	10,000,000,000	694,463,253	6,944,632,530	Recapitalization of retained earnings: NT\$133,475,150. Employee bonus transfer: NT\$ 137,400,000.	None	Note 7
2008.08	10	1,000,000,000	10,000,000,000	724,038,518	7,240,385,180	Recapitalization of retained earnings: NT\$138,892,650. Employee bonus transfer: NT\$ 156,860,000.	None	Note 8
2014.07	10	1,000,000,000	10,000,000,000	543,028,888	5,430,288,880	Cash capital return of NT\$1,810,096,300	None	Note 9
2016.07	10	1,000,000,000	10,000,000,000	434,423,110	4,344,231,100	Cash capital return of NT\$1,086,057,780	None	Note 10

Note 1: The Science Park Administration letter No. 0930031524 dated November 10th, 2004.

Note 2: The Science Park Administration letter No. 0940022936 dated August 26th, 2005.

Note 3: The Science Park Administration letter No. 0940033054 dated December 2nd, 2005.

Note 4: The Science Park Administration letter No. 0950006079 dated March 10th, 2006.

Note 5: The Science Park Administration letter No. 0950010529 dated April 28th, 2006.

Note 6: The Science Park Administration letter No. 0950021383 dated August 11th, 2006.

Note 7: The Science Park Administration letter No. 0960022923 dated August 29th, 2007.

Note 8: The Science Park Administration letter No. 0970024243 dated August 29th, 2008.

Note 9: The Science Park Administration letter No. 1030020264 dated July 11th, 2014.

Note 10: The Science Park Administration letter No. 1050019331 dated July 14th, 2016.

April 15th, 2019

Shares Category	Authorized Capital			Note
	Outstanding Shares (Note)	Unissued shares	Total	
Ordinary shares	434,423,110	565,576,890	1,000,000,000	None

Note: The Company's shares are traded at the stock exchange.

II. Status of Shareholders

April 15th, 2019

Status of Shareholders Number	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders	1	5	156	44,040	399	44,601
Number of Shares Held	1,027,600	18,997,600	51,151,082	128,028,496	235,218,332	434,423,110
Shareholding Percentage	0.24%	4.37%	11.78%	29.47%	54.14%	100.00%

III. Shareholding Distribution Status

(I) Common Shares

April 15th, 2019

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1~999	24,133	4,496,698	1.04%
1,000 ~5,000	15,768	32,930,150	7.58%
5,001~10,000	2,486	18,543,204	4.27%
10,001~15,000	711	8,883,279	2.04%
15,001~20,000	370	6,672,681	1.54%
20,001~30,000	343	8,687,884	2.00%
30,001~40,000	183	6,433,912	1.48%
40,001~50,000	98	4,512,218	1.04%
50,001~100,000	194	13,994,764	3.22%
100,001~200,000	99	14,028,606	3.23%
200,001~400,000	72	20,414,151	4.70%
400,001~600,000	45	22,202,445	5.11%
600,001~800,000	21	14,290,723	3.29%
800,001~1,000,000	12	10,379,187	2.39%
1,000,001 or more	66	247,953,208	57.07%
Total	44,601	434,423,110	100.00%

(II) Preferred Shares: not applicable.

IV. List of Major Shareholders: Names, number and percentage of shareholding in the top 10 shareholders or shareholders whose shareholding percentage reaches 5% or more

April 15th, 2019

Name of major shareholders	Shares	Number of Shares Held	Shareholding Percentage
Tai Wei Advanced Co., Ltd.		20,484,196	4.72%
Hsun Chieh Investment Ltd.		15,062,551	3.47%
Investment account in the Norges Bank entrusted to Citibank Taiwan		10,044,274	2.31%
Investment account in Goldman Sachs Group, Inc. entrusted to HSBC Bank (Taiwan)		9,564,218	2.20%
China Life Insurance Company		8,463,800	1.95%
Wade Chang		7,921,463	1.82%
Coretronic Corp. trust property account for employees' equity entrusted to CBTC Bank		7,681,174	1.77%
Morgan Stanley investment account entrusted to HSBC Bank (Taiwan)		7,488,973	1.72%
Assesment for dimensional new markets' fund investment account entrusted to Citibank		6,680,800	1.54%
Vanguard Group manager's new market share indicator fund investment account entrusted to JP Morgan Chase Bank (Taipei)		6,653,400	1.53%

V. Market Price, Net Value, Earnings, Dividends per share and Relevant Information over the Past Two Years

Item		Year	2017	2018	Up until 2019 March 31st
		Market price per share (Note 1)	Highest		46.85
Lowest			32.70	34.3	37.8
Average			40.00	46.01	46.2
Net value per share (Note 2)	Before distribution		49.57	51.11	52.63
	After distribution		—	—	—
Earnings per share	Weighted Average Shares		434,423,110	434,423,110	434,423,110
	Earnings per share		4.03	4.65	0.22
Dividends per share (Note 3)	Cash Dividend		3.0	3.5	—
	issuance of bonus shares	Dividends from retained earnings	—	—	—
		Capital surplus distribution	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Analysis of return of investment	Price/Earning Ratio (Note 4)		9.93	9.89	—
	Price/Dividend Ratio (Note 5)		13.33	13.15	—
	Cash Dividend Yield (Note 6)		7.50%	7.61%	—

Note 1: Average market price is calculated based on the average of the market price disclosed on the TWSE website: <http://www.otc.org.tw/ch/index.php>

Note 2: The distribution of earnings for 2018 is subject to the resolution of the shareholders' meeting. Therefore, no adjustment has been made. The distribution of the 2017 dividends is based on the 2018 annual shareholders' meeting.

Note 3: Dividends per share for 2017 were resolved at the general shareholders' meeting on June 14th, 2018. Dividends per share for 2018 were proposed at the 17th meeting of the 9th Board of Directors on March 25th, 2019. It is still pending for resolution in the 2019 annual general meeting.

Note 4: P/E Ratio = Average closing price for each share for the year/earnings per share.

Note 5: Price-Dividend Ratio = average price per share for the year/cash dividend per share.

Note 6: Yield on cash dividend = cash dividend per share/average price per share for the year.

Note 7: For net worth per share and earnings per share, information on the latest quarter of the year's audited financial statements shall be filled. The rest of the columns shall be filled. For other columns, the Company shall fill in the current year's information as of the publication date of this annual report.

VI. Dividend Policy and Implementation Status

(I) Dividend policy

The Company's dividend policy is decided based on factors such as the Company's capital and financial structure, operational status, earnings and the nature and cycle of the industry. The dividends can be given in cash or shares. However, since the Company's industry is going through a period of growth, the Company gets to decide based on factors such as finance, business and operations as well as the policy from the previous years. If the company has a surplus for distribution in the current year, the principle of issuance is that the net profit after tax for the year is not less than 30% and the cash dividend is proposed to be at least 50% of the shareholder's dividend.

If the Company does not have any distributable surplus, or factors such as the

Company's financial, business and operation have to be taken into consideration, the surplus may be distributed in whole or in part in accordance with the regulations of the competent authority.

- (II) Implementation status: During the 2019 meeting, the shareholders' cash dividends for the distribution of earnings per share for 2018 was NT\$868,846,220. The cash dividend per share was NT\$2. The Company proposed to pay cash \$1.5 per share with capital reserve at a premium over the denomination totaling NT\$651,634,665. Total cash paid to the shareholders was NT\$1,520,480,885 with the amount of NT\$3.5 per share.
- (III) Expected change in dividend policy: None.

VII. Impact of Stock Dividends Issuance by the Resolution of the Shareholders on the Company's Business Performance and Earnings per Share: not applicable.

VIII. Employee and Director Remuneration

- (I) The percentages or ranges of employee and Director compensation as set forth in the Company's Articles of Incorporation.

If the Company made a profit for the year, 10 to 20 percent shall be allocated as employee compensation. However, when the company has accumulated losses, the amount should be retained in advance. Employee compensation may be distributed in stocks or cash for the employees of the Company, including employees of the subsidiaries.

If the Company's annual final accounts have a surplus, taxes and the amount to make up for previous losses should be retained. Next, 10% of the surplus will be appropriated as legal capital reserve. However, it is an exception when the statutory surplus reserve has reached the total capital of the company. The remaining amount will be paid or rectified as statutory special surplus reserve in accordance with the regulations or competent authority. If there is still a surplus, it is added to the accumulated undistributed surplus from the previous year. The Board will propose its allocation and submit it to the shareholders meeting for resolution.

- (II) Accounting treatment for the basis of estimating the amount of the employees' compensation and director's remuneration for this fiscal period, the basis of calculating the number of shares to be distributed as employees' compensation, and for any discrepancy between the actual amount distributed and the estimated figures.
The amount of distribution for employees' compensation for 2018 was NT\$290,397,559 as per the resolution of the Board made on January 28th, 2019. There is no discrepancy between the fees recognized in the 2018 financial report.

(III) Information on allocation of compensations approved by the Board of Directors

Unit: NT\$

Item	Amount
Employee bonus - cash	290,397,559
Employee bonus - stock	0
The amount of employee compensation distributed by stock accounted for the total profit after tax and the total amount of employee compensation	0.00%
Amount of Directors' Remuneration	0

(IV) Actual distribution of employees' and directors' remuneration for the year (2017)

Unit: NT\$

Item	Amount
Employee bonus - cash	256,595,586
Employee bonus - stock	0
Amount of Directors' Remuneration	0
The Company's proposed distribution of the Board of Directors' Meeting in 2017 was the same as the actual distribution resolved by the shareholders' meeting.	

IX. Buyback of Treasury Stock: None.

X. Corporate Bonds Issuance: None.

XI. Issuance of preferred stocks, overseas depository receipts, employee stock option certificates, new restricted employee shares, mergers and acquisitions, or issuance of new shares for the acquisition of other companies: None.

XII. Application of Funds

Chapter 5 Operations Overview

I. Business Activities

(I) Scope of Business

1. Main content of business operations

- (1) CC01110 Computers and Computing Peripheral Equipments Manufacturing.
- (2) CC01080 Electronic Parts and Components Manufacturing.
- (3) CE01030 Photographic and Optical Equipment Manufacturing.
- (4) CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing.
- (5) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import.
- (6) CC01990 Electrical Machinery, Supplies Manufacturing (Limited to production outside of the Park).
- (7) CC01090 Batteries Manufacturing. (Limited to production outside of the Park).
- (8) Research, development, production, manufacture, sales of the following optoelectric products:
 - A. Various LCDs, projections and the backlight modules.
 - B. Multimedia presentation system equipments and software.
 - C. Plasma display monitors/TVs, LCD internet personal computer, LCD Windows base terminal, digital transmission, LCD monitors.
 - D. All kinds of consigned design and develop and consulting services regarding above products.
 - E. Import and export trading business related to the above businesses (except the businesses requiring permit).
- (9) Design, manufacturing and sales of Acrylics and relating consigned design, develop, consulting and import and export trading business of the products (can only be conducted outside Hsinchu Science Park)
- (10) Design, manufacturing and sales of the power supply, electronic car and fuel cell related products and its Components. (can only be manufactured outside Hsinchu Science Park)

2. Proportion of business

Unit: NT\$1,000

Item	Year	2017		2018	
		Amount	%	Amount	%
Energy-saving solutions		26,356,224	49.63%	25,743,790	46.24%
Visual solutions		17,756,321	33.44%	18,907,164	33.96%
Others		8,992,758	16.93%	11,021,979	19.80%
Total		53,105,303	100.00%	55,672,933	100.00%

3. Current products (services)
 - (1)Energy-saving products: Automotive display screen, tablet, laptops, LCD displays and LCD TV high-brightness backlight modules; panel modules, electronic whiteboard module, customized notebook computers, LCD display, semi-systems, systems or complete assembly of LCD TVs, system solutions for medical, educational, ATM, POS and public information video wall.
 - (2)Visual solutions products: various digital projectors, a variety of video image signals for large-screen image projection, as well as interactive modules, smart connectors, image blending box and video signal processing boxes, and software and system integration to provide an integrated imaging solution for user-friendly and multi-purpose tools .
4. New products (services) in development:
 - (1)Energy-saving products: continuing to develop new types of light guide plate and without light guide plate technology, working towards reducing the thickness and frame of backlight modules, increasing optical efficiency, reducing the optical film and the amount of LED usage to develop lightweight, compact and energy-saving high-value application display products such as game consoles, tablets, notebook computers, industrial surveillance devices, medical monitors, AIO monitors, and high-end smart TVs. In addition to the improving the functions of the traditional panel module function, the Company also engages in differentiating the design of various displays and actively seeking to incorporate high value-added products such as commercial displays, notebook computers, automotive and gaming products.
 - (2)Visual solutions products: The core technical capabilities of the Company's visual solutions incorporate integrated modules, large-screen blending, interactive touch, digital signage, large venue and the smart comprehensive visual solutions. The Company will continue develop VR/AR devices to provide the users with a more amazing visual experience.

(II) Industry Overview

1. Current State and Development of the Industry

The Company positions itself as the innovative display solution provider, including the energy-saving solutions and visual solutions. The current status and development of each major product are described below:

(1) Energy-saving products

The market-survey institution of Digitimes pointed out that in terms of the global large-scale TFT LCD panel in 2019 and the future, as Chinese manufacturers continue to expand production, the estimated annual growth in the global large-size LCD production capacity is expected to exceed 9%. Hence, the pressure from panel oversupply will continue.

Before 2021, China will see 6 10.5/11th generation production lines. Except for BOE and COST which own two each, Foxconn Technology Group will likely have a 10.5-gen LCD production line in Guangzhou before the end of 2019. The up-and-coming Chinese panel producer, HKC, has also invested in an 11-gen production line that will go into production in 2021. It is estimated that the annual growth rate of the large-size LCD production capacity in the both plants will exceed 55% for both companies. Chinese companies' large-size LCD production expansion will have an impact on the profitability of all LCD panel manufacturers. South Korean manufacturers are expected to reduce the production capacity of its LCD production line in 2019. It is expected that the monthly production capacity of LGD's 8.5 gen LCD will reduce by 120,000 pieces (measured by the volume of glass substrates) in 2022. According to other companies' production capacity planning, the growth rate of global large-size LCD production capacity in 2022 and 2023 is expected to be below 2%. This is mainly due to the increased mass production capacity from 2018 to 2020. The market had excess supply which had an impact on the profitability of panel manufacturers. Therefore, the investment strategy has become more conservative.

Due to the China-US trade war, the general growth momentum will slow down in 2019 with a lower or stagnant demand for applications such as TVs and mobile phones. IT applications and tablets are also expected to have a slow or stagnant growth. The large-size (9-inch or above) TFT LCD market mainly relies on the continuous expansion of the average size of TV applications to boost the overall demand for large-size TFT LCDs. However, the supply side has increased substantially. In 2019, the oversupply of large-size LCD panels will continue, and the market conditions are likely to become more unbalanced. For TV, monitors (including AIO for PC), notebooks and tablets, the growth of the next five years is expected to be limited. However, the average size of TV applications will continue to increase, and the compound growth rate for large-sized LCD panel is expected to reach 5%.

In the future, the Company will gradually develop more high-speed and larger-sized solutions to maintain or increase the unit price and profitability.

On the other hand, some applications that have not received much attention in the past have gradually attracted the attention of the industry, including industrial, medical, public information displays, large-sized automotive panels, ATMs, etc., which are small, diverse, and customized in nature. Compared to the stagnant growth in the volume of shipments for the four major applications, the compound annual growth rate of other large-size LCD panels from 2018 to 2023 is expected to reach 10.7%. Among them, Digitimes, a market-survey organization, is optimistic about the growth of large panels for automotive and digital signage. It is estimated that during the five-year period from 2018 to 2023, the former will see a compound annual growth rate of 15.8%. The main driving force is the automotive dashboard and the large-size control console displays. The latter has a compound annual growth rate of 10.7% during the five-year period, mainly because the panel manufacturers are looking for for the opportunity to decommission large-size panels while the demand for commercial display is still high. With the trends of smart transportation and smart retail, the market for digital displays is likely to retain growth momentum.

In addition to expanding the products in the original application fields, the energy-saving solutions group focuses on the digital signage, large-size automotive panels, and automatic teller machines where there is market demand growth and are small, diverse, and highly customized in nature. Technology development focuses on the market trend of ultra-thin, narrow-frame, touch-controlled, high-resolution and energy-saving displays, providing a flexible business model that responds to market changes and customer needs. The Company's product development has also been shifted backlight modules to system/semi-system products for design and manufacture of tablet/notebook and TV parts, ultra-fine display technology HDR, liquid crystal display module, free-form backlight module, video wall, privacy display application, etc. with key components in different areas. The Company also provides a combination of touch modules, mechanism design, electronic solutions, etc., to offer the customers a complete and multi-integrated customized display solution.

(2) Visual solutions products

The main market for projectors can be divided into five major categories, including corporate and government agencies, education, home, large venue and the booming electronic billboards. In addition to the typical use in business briefings, the schools can employ them in addition to displaying information on a traditional desktop computer or laptop. The linked handheld device is complemented by the interactive display and other functions, which are more widely used with better results. The pursuit of large screens and high-resolution images in the household has become a trend in recent years, which has led to the demand for projectors

used in home entertainment.

With the evolution in technology and the demand for high quality and brightness, the use of projection equipment as a display medium in large venue and signage is becoming more and more popular. This has in turn driven the rapid growth in high-brightness products used in large venues. The main projector technologies are remain LCD and DLP. The descriptions are as follows:

A. LCD projector

LCD projectors are divided into single-chip and three-chip ones. The single-chip projector uses a light source to pass through the LCD panel and obtains a full-color image through a color filter. The three-chip projector separates the light source into three primary colors of RGB, and projects them to three LCD panels before combining them through a light microscope. With the full-color images, its technology development is mature and stable, and the image quality is vivid and natural. However, it is limited by the optical design and the size is relatively large. Regardless of the models, the key optical panel is in the hands of two Japanese companies, namely EPSON and SONY.

B. DLP Projector

DLP is a technology developed by Texas Instruments in the United States since 1987. However, it didn't enter the market till 1996. Its key component is the DMD chip (Digital Micro-mirror Device). The imaging principle of the DLP system mainly involves projecting a light source onto a DMD chip, rotating through a plurality of small lenses on the chip at different angles, causing the light to be directly reflected/refracted to obtain an image. The full-color image is then obtained through a color ring rotating at high speed. Unlike DLP which is a reflective, LCD technology is a transfective technology.

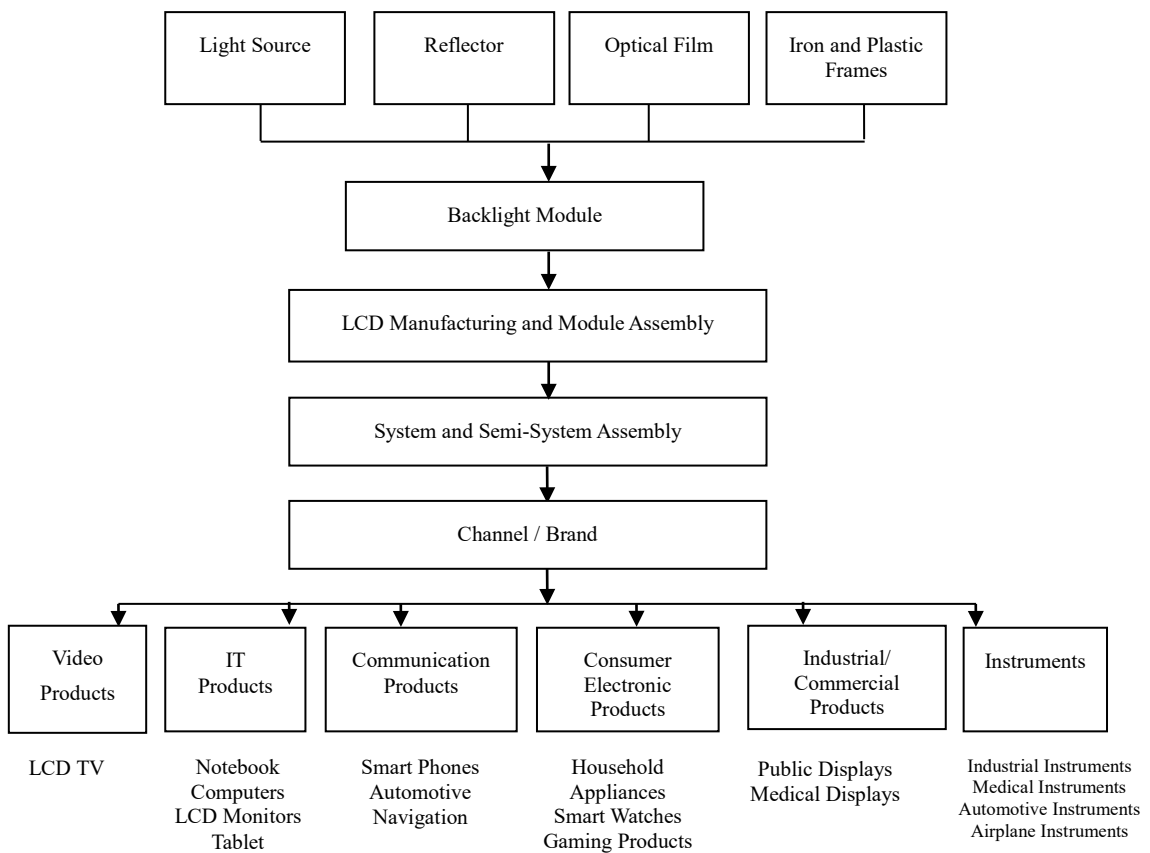
At present, LCD and DLP technologies each has its own advantages and supporters. The advantage of LCD is that the color is softer and fuller, while the advantage of DLP is that the projector is smaller in size, higher in brightness, clearer in contrast and longer in the chip life span. At present, LCD and DLP each has its market share. However, DLP will have a technological advantage in the trend of making projectors smaller. With the evolution of light source technology, solid-state light sources (mainly LEDs and lasers) will help increase the weaker color saturation of the original DLP. In other words, DLP has the chance of catching up with LCD and eventually winning out. The Company is the world's leading manufacturer of projectors using DLP technology, with a solid strategic alliance with Texas Instruments for many years. Moreover, the Company is also a leader in DLP manufacturers in the development and application of solid-state light sources with a good grasp of the source of the

components.

2. Correlation among upstream, midstream, and downstream of the industry

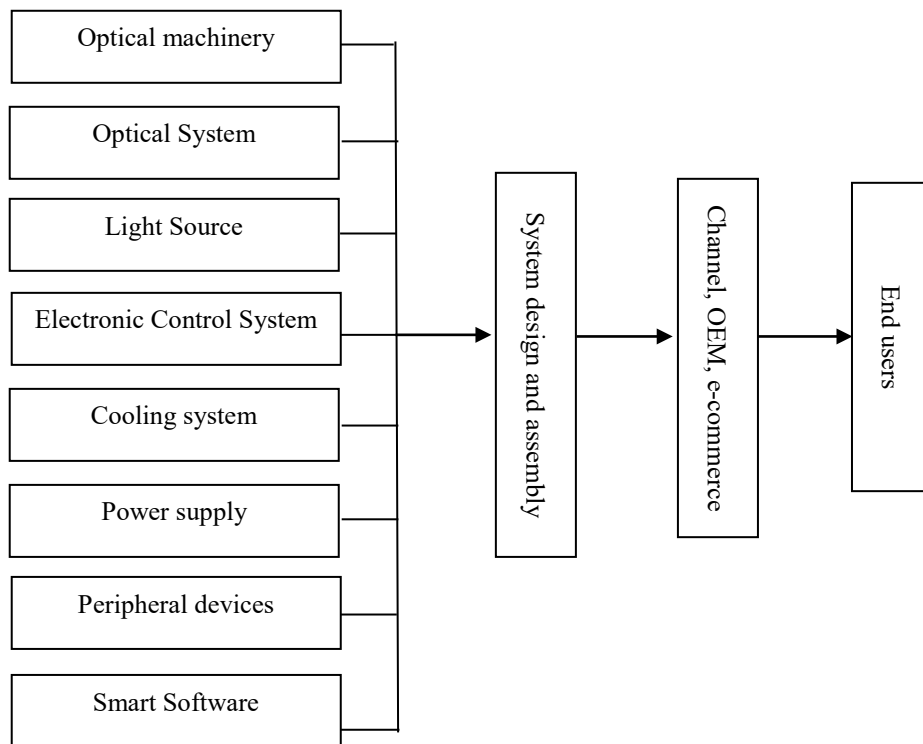
- (1) Energy-saving products: The backlight module is a part of the industrial structure of LCD. Figure 1 is the correlation diagram of the industrial structure of the upstream midstream and downstream. The upstream raw materials includes products such as light source, light guide plate, optical film, iron and plastic frame. The downstream includes the manufacture and assembly of LCD panels and their applications for a number of electronic products.

Figure 1: Upstream , midstream and downstream assotiation diagram in the Backlight Module



- (2) Visual solutions products: The upstream components of the projector include the optical system, lighting system, electronic control system and cooling system. Please refer to Figure 2. Most of the components such as LCD panels, DMD chips and light sources rely on imports. After the overall optical, mechanical, electronic control design, thermal adjustment, assembly, testing, and packaging, the products are sold through computer stores, professional audio and video equipment stores and computer vendors. The sales have gradually been expanded to e-commerce such as online stores and TV shopping channels, as well as system integrators to users of various applications.

Figure 2: Upstream, midstream and downstream association diagram for projectors



3. Various trends and trends in the industry

- (1) Energy-saving products: With the expansion of Internet applications and the development of network construction and display applications, it is expected that the future trend will be "one cloud and multiple screens." This means through the connection with the cloud, various forms of displays can be used to get the information you need and derive different applications and services. The market-survey organization IEK pointed out that the main forces of the global display market will be mobile phones and LCD TVs in 2020. At that time, the shipments of mobile phones will reach 1.91 billion units, of which the output value of displays is about 43.83 billion US dollars. For LCD TVs, 280 million units will be shipped, of which the output value of displays is about 45.76 billion US dollars. In addition, approximately 90 million units smart watches will be shipped

with the value of US\$880 million of displays. The compound growth rate can also reach 19.7%. Display market for automotive and public use has also led to the steady growth of displays with the gradual improvement of technology and wide market applications. It is estimated to reach 7.4 billion and 3.33 billion US dollars of production value respectively in 2020. These assessment data and development not only indicate that the demand for display will continue to increase in the future, but also the applications will be more diversified. The applications can be roughly divided into 5 categories including personal use (such as mobile phones, wearable devices, computers), AR/VR, smart homes (such as TV), signage and automotive use. In different application fields and scenarios, the demand for display technology differs and brings different values.

Faced with the rise of China's panel business chain, business model and consumer demand transformation, customized solutions that integrate panels, systems, applications and software will take the flat-panel display industry to a new era.

- (2) Visual solutions products: Corporate and education applications have always been the mainstream for projectors. In response to the demand for large screens and high resolution in the home market, 1080P/4K home projectors have also become an important product line. The company's core strategy based on technology leadership and the desire to address pain points for consumers continue to drive up product brightness, color saturation, resolution and convenience. The "Laser Ultra Wide Screen Touch System", "Multi-Screen Automated Blending System" and "Immersive Curved Touch System" have been awarded the Innovative Product Awards of Hsinchu Science Park for three consecutive years. In 2019, smart entertainment projectors will be launched in conjunction with AI and voice assistant. In addition, in response to the demand for pure colors in large-screen applications, the Company also launched the 20,000 lumens high-brightness projector series with unique multi-color mixing technology to significantly improve color saturation.

In terms of functions, the improvement of image quality, the connection of smart software and the enhancement of Internet functions are the trends. The compact and user-friendly set-up is what appeals to business people. The popularity of smart home appliances also promotes the use of Internet applications across traditional businesses, crossing the boundary of the home market. LEDs, laser light sources and new types of projection components are coming out one after another. As technology matures, the use of projectors can be extended beyond the traditional limitations of lamp source to attract new consumers. It will also expand the application range from traditional applications to the use of screenless TVs, digital signage and large venue. The possibilities are endless. In addition, the demand of emerging markets for new technologies and environmental

protection has surpassed that of many mature markets and traditional customers,. They have become an important indicator that requires additional observation.

4. Competition

(1) Energy-saving products

In recent years, Japanese panel makers have outsourced Taiwan and South Korean manufacturers for production and red supply chain based on cost considerations. The backlighting industry is labor-intensive and has an industrial model that is close to the customer's factory. The investment layout of production lines based in China has become an important strategy for Taiwanese backlight manufacturers. Under the fierce competition, Taiwanese backlight manufacturers have maintained their competitiveness by the virtue of their rapid adaptation capacity and economies of scale. The main manufacturers in Taiwan include Coretronic, Radiant Opto-Electronics Corp. and Darwin Precisions Corp. In addition to the competition of technology and services, the scale and integrity of the Group's supply chain integration are important factors affecting the operation. As a whole, the flat panel display backlight industry has gradually evolved into a "winner takes it all" type of situation.

(2) Visual solutions products

Due to the slowdown in the growth rate of competitors in the projector market as well as the industry scale, some manufacturers have withdrawn from the market because they have not reached the economies of scale. Smaller manufacturers have also reduced the ratio of self-made products and increased competitiveness through outsourcing. The current industry is a "winner takes it all" situation. Projector brand manufacturers include Epson, NEC, Sony, Hitachi, Panasonic, JVC, Sharp, Casio, etc. in Japan, InFocus, Dell, Viewsonic, etc. in the US and Europe, LG in Korea, and Optoma, BenQ, Acer and Vivitekin in Taiwan. In addition, Chinese manufacturers have gradually emerged in the projection market due to expansion in the application market and the introduction of new light source, such as e-fun, Everest Display Inc., Shenzhen A.H.J.K Electronic Co., Ltd. and so on. Taiwan's main projector makers include Coretronic, Delta Electronics Corporation and Qisda Corporation.

(III) Technology and R&D Overview

1. R&D expenses invested in the most recent year and as of March 31st, 2019

Unit: NT\$1,000

Item \ Year	2018	Up Until March 31, 2019
Research and development expenses	3,471,941	787,530
Operating revenue	55,672,933	11,273,976
Ratio of R&D expenses to revenue (%)	6.24%	6.99%

2. Technologies or products successfully developed in the most recent year and as of March 31st, 2019

Backlight	<p>(1)The successful mass production of ultra-thin semi-system for notebooks (Hinge Up · H/U).</p> <p>(2)The successful mass production of panel modules for 7"-12" tablet models.</p> <p>(3)The successful mass production of one-stop panel module assembly for 11"-17" tablet models.</p> <p>(4)The successful mass production panel module assembly for 24"-79" LCD TV.</p> <p>(5)The successful mass production of MT and TV backlight boards.</p> <p>(6)The successful mass production of the frame-free module MT LCM module.</p> <p>(7)The successful mass production of the wide color gamut PAD, NB, MT, and TV backlight board.</p> <p>(8)The development of a special precision machining process for ultra-thin flat light guide plates for NB backlights.</p> <p>(9)The successful mass production of microstructured high brightness light guide (IML).</p> <p>(10)The successful mass production of glass light guide for ultra-thin TV.</p> <p>(11)The successful development of ultra-thin direct-light-type backlight module (OD=2.5mm).</p> <p>(12)The successful development of backlight for ultra-thin TV (3.7mm in thickness).</p> <p>(13)Continuing to develop high-gain optical parts and putting them into mass production.</p> <p>(14)The successful development and mass production of automotive head-up display PGU module.</p> <p>(15)The successful development of privacy display LCM module application for automotives and notebooks.</p> <p>(16)The successful development of ultra-narrow HDR display with the LCM module for notebooks.</p> <p>(17)The successful development of BKL direct type module for automotives.</p> <p>(18)The successful development of the local dimming integrated system module.</p>
Projectors	<p>(1)To meet the needs of more compact devices, the Company uses new projector components and LED sources to develop the new generation of portable projector products with brightness and size in the position of market leaders.</p> <p>(2)The LED micro projector system has entered the embedded solution market.</p> <p>(3)Launched the high brightness home projector with LED light source.</p> <p>(4)Launched the ultra-short-throw projector that can be used for projection of 130-inch large-screen for educational purposes and home 4K/UHD laser projectors.</p> <p>(5)Introduced a new generation of high-watt, high-brightness and high-end laser projectors ranging from XGA resolution to 4K/UHD (3840x2160) with a maximum brightness of 20,000 lumens.</p> <p>(6)Launched 4K/ UHD DLP high resolution professional and home projectors.</p> <p>(7)Developed a roll-out interactive electronic whiteboard technology for education and meeting purposes.</p> <p>(8)In response to the demand for professional projection large screens, a multi-screen blending touch system with built-in image capture device has been developed.</p>

	<p>(9)The MCLA™ exclusive patented technology uses a composite laser source complemented by a two-color wheel SSI optical structure that provides users with saturated, vibrant color performance while maintaining brightness.</p> <p>(10)The software R&D team has developed a combination of the company's various large-size display technologies, public cloud software with image recognition technology and cloud big data analysis, as well as successfully promoting digital broadcast solutions to many public areas, such as Taipei MRT and various chain store using digital signage.</p>
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(IV) Long-term and Short-term Business Development Plans

1. Short-term business development plans

- (1) Marketing: The Company will increase product market share, expand product portfolio and flexible production planning to provide existing customers with comprehensive product lines and more flexible and efficient services to continuously expand new markets. The Company will also provide customized product design options to customers and create value-added services for high-end and niche products as well as providing one-stop solution from design to production.
- (2) Research and development: Strengthening the training of R&D personnel, developing a common R&D platform, and establishing a design platform for key component designs for R&D personnel in China and Taiwan. Reducing the number of components and standardizing components to increase the price competitiveness of products while reducing production costs. Improving the mass production and maintainability of the product to cater to a small variety of product combinations
- (3) Operational management: Continuously improving the enterprise resource system and supply chain management, using overseas production bases and increasing the flexibility of component procurement, integrating group resources to build smart factories, such as production line assembly automation, intelligent inspection, etc. to reduce manpower demand and production costs, as well as improving competitiveness to pursue better operational performance. According to the framework of the medium and long-term capital demand plan, the Company will conduct short-term financial planning based on the principle of safety and stability, and establish a relationship of trust and reciprocity with the existing banks, grasp the trend of the financial market, and improve the performance of financial operations.

2. Long-term business development plan

- (1) Marketing: Cultivating customer relations and establishing a long-term cooperative marketing model for proprietary technologies. The Company works with internationally renowned brand customers and regional leading brands as strategic alliance partners to provide a full range of display product solutions, collect the latest market and technology trends, provide customers with the best product solutions and after-sales service, continue

to strengthen the global after-sales service capabilities and quality.

- (2) Research and development: Focusing on research and development of high-profit and forward-looking products, integrating resource investment to develop new technologies and new products, continuously integrating upstream and downstream supply chains to develop key components to enhance the value of proprietary products and reduce costs, as well as improving production autonomy. Actively cooperating with procurement, quality assurance, engineering, manufacturing and other departments to develop new product platforms, continuing to introduce modular design, production and production automation, and developing smart manufacturing to reduce production and service costs and increasing competitiveness.
- (3) Operational management: Integrating the Group's resource allocation and application efficiency, promoting the performance of joint venture businesses, structuring an international operation plan system, strengthening the functions and preparation of overseas organizations, improving overall performance, and taking advantage of capital market and money market instruments to raise low-cost working capital to build long-term strength.
- (4) Strategic alliance: With the rapid development of science and technology and the promotion of high-tech and complex industries and markets, the Group actively develops strategic alliances or mergers and acquisitions of potential startups to reduce the development costs and achieve the complementarity of internal and external resources, while achieving economies of scale in the short term. The Company aims at integrating, accelerating research and development capabilities, expanding the business landscape, and bringing synergy of different corporate cultures to enhance long-term competitiveness.

II. Market and Production Overview

(I) Market Analysis

1. Major regions for product (service) sales (provision)

Unit: NT\$1,000

Year/Amount		2017		2018	
		Amount	%	Amount	%
Domestic Sales		12,554,703	23.64%	11,700,488	21.02%
Overseas sales	America	5,019,564	9.45%	5,863,265	10.53%
	Europe	5,225,352	9.84%	5,977,593	10.74%
	Asia	28,539,506	53.74%	30,419,147	54.64%
	Others	1,766,178	3.33%	1,712,440	3.07%
	Subtotal	40,550,600	76.36%	43,972,445	78.98%
Total		53,105,303	100.00%	55,672,933	100.00%

2. Market Share

The main products of the Company are energy-saving and visual solutions products. According to market statistics, the estimated shipments of large-size LCD panels were 732 million pieces in 2018. The company's 2018 total shipments of energy-saving products were 47.6 million pieces, and the global market share was about 6.5%. According to market data, it is estimated that the global projector shipments in 2018 will be 7.71 million units. The company's 2018 visual product shipments were 1.31 million units, taking up 17% of the global market share.

3. Future supply and demand of the market and its growth

(1) Energy-saving products

According to the market-survey organization, Digitimes, the annual compound growth rate of global large-size LCD panel shipments will be only 0.2% during the period from 2019 to 2023. Among the four major applications (MNT/NB/Tablet/TV), only the compound annual growth rate of TV applications positive with 0.1%. Other types of applications will be the focus from 2019 to 2023. Shipment volume of large panels for automotives is estimated to have grow from 8.5 million units in 2018 to 17.7 million units in 2023. The main growth momentum is the large-size development of dashboards and center console displays. The number of digital billboard shipments is estimated to go from 5.3 million units in 2018 to 8.8 million units in 2023 with an annual growth rate of more than 10%. Shipments of other applications include industrial, medical, ATM, and POS are expected to increase from 10.79 million units in 2018 to 14.44 million units in 2023, with a compound annual growth rate of 6%, which is better than that of TV, monitor, NB and tablet applications. The TV market will continue to grow because of the popularity of Open Cell and the emergence of other sales models. Emerging market tend to demand

larger sizes and other applications that require large-size displays such as signage displays. Overall, the LCD panel shipments of TV applications have not increased significantly, but the average size of LCD TVs is expected to increase by 0.7-1 inch, which is beneficial to the annual growth rate of LCD TV panel shipments from 2019 to 2023, which is expected to reach 5%~6%. Shipments of other types of application panels (including automotive panels, digital signage, industrial, medical, ATMs, gaming, POS systems, etc.) are estimated to reach 40.94 million units, an increase of 87% from 2017. This will be the focus area for the next five years.

(2) Visual solutions products

Looking forward 2019, the solid-state light source products such as laser TVs, personal projectors, ultra-short-throw projectors and high-end projectors in the Chinese market will be booming. New 4K/UHD products will be introduced as well. Overall, the market forecast data estimates that the market will grow slightly in 2019, and the projector (including laser TV) will have a shipment of about 8 million units, of which 4K/UHD, solid-state light source and high-end application markets will continue to grow.

2.Competitive Niches

(1) Solid R&D capabilities

The Company is committed to the research and development of technology. In addition to designing and developing products that meet customer needs, the Company will also continuously develop key components for vertical integration, which enhances competitiveness in the industry. Up until the end of March, 2019, the Company has a total of 929 pending patents at home and abroad. The Company has over 700 R&D personnel, which shows the Company's emphasis on research and development.

(2) Close supply chain management and high-efficiency production

Continuous cooperation with the display panel industry and the projector industry is the main business strategy of the Company. Therefore, the new product development schedule, the implementation of flexible production planning strategies and the emergency order production scheduling are the focus of the Company's production strategy. Strengthening the operation mechanism of the supply chain platform and establishing the standardization of procedures maximize production efficiency and reduce production costs.

(3) Flexible marketing methods

The Company mainly adopts the ODM development strategy to obtain orders by participating in customer design. In addition to collecting the latest market and technology trends, the Company can respond to market

and technology trends in a timely manner, and understanding the local market as well as customer needs to provide the best products and after-sales services around the world.

3.Favorable and Unfavorable Factors of Development Prospect and Strategies

Item	Favorable Factors	Unfavorable Factors and Countermeasures
Industry Development and Outlook	<p>1.The applications of LCD products continue to develop such as notebook computers, tablets, flat panel displays, mobile phones, LCD TVs, etc., driving the industry to grow and creating a huge demand for key component LCD backlight modules.</p> <p>2.The production capacity of various panel manufacturers has been gradually expanded, and Taiwan's downstream products such as notebook computers and LCD monitors have a global market share of more than 60%, which gives Taiwanese manufacturers an advantage in panels. This also makes the industrial prospect of the upstream backlight module promising.</p> <p>3.In response to the popularity of the mobile phone market, consumers now demand high-quality display. All product applications (including NB/MNT/TV) are moving towards higher resolution. After working on backlight modules for years, the Company has a good grasp of the core technologies include high brightness, high efficiency and high resolution. Therefore, the prospects for subsequent market demand are promising.</p> <p>4.With the gradual popularization of 4K resolution, the wide use of wide color gamut technology, the increase of screen update rate to 60 fps or even higher, and the dynamic range of brightness have gradually become a limit for the further improvement of image quality. This is why HDR came into being. Only by strengthening this aspect can the users truly enjoy the high image quality experience. Therefore, the market demand for displays with new specifications shows a positive outlook.</p> <p>5.With the advancement of LED/Laser solid-state light source technology, brightness is increased and market applications are expanded.</p> <p>6.With the active development of new applications such as laser TV, digital signage and large-size signage solutions, the prospects are promising.</p> <p>7.With the gradual implementation of China's national strategic emerging industry planning, the formation of information technology, high-end manufacturing, digital creativity, tourism and other industries, the demand for display or projection equipment will increase significantly, bringing new business opportunities for the professional audio-visual industry.</p>	<p>1.The addition of new flat-panel display manufacturers will lead to increased competition and lower profits. <u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> •Maintaining technological leadership with proprietary backlight design. •Expanding customer base from panel manufacturers to system integration (SI) and brand names, and acquiring orders through participation in the design. •Expanding customer base and application market. Breaking off from the ODM/OEM model and becoming a leading manufacturer of all-round imaging products. In addition to providing professional design advice and stable high-quality product development and production to Brand Names, the Company offers a high degree of customization to be closer to user needs and quickly enter the market. In the dynamic process of discovering demand and meeting the needs, we are able to grow together with our business partners and expand the application market. <p>2.Projectors have seen stronger competition due to competition from large LCD displays and video walls. <u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> •The use of technological leadership continues to bring value to customers. Advantages can be continuously created by integrating research and development capabilities and experience in light, mechanical, electricity, thermal, and software. •Continuing to develop user-friendly software and connect to cloud value-added services to increase customer satisfaction and adhesion. •Building a strategic procurement platform and promoting strategic procurement plans in order to achieve optimal costs and increase product competitiveness. •Actively introducing innovative technologies such as multi-screen blending and immersive cauve blending to solve the problems of large venue display, projection and moving in irregular situations, and providing overall solutions to enhance customer satisfaction and loyalty, as well as expanding market applications. •Engaging in strategic alliances or mergers and acquisitions of potential companies, speeding up the development schedule, and quickly entering the LED Wall industry.
Operating Environment	<p>1.The Company entered the market ahead of the industry, has therefore accumulated enough technologies and experience to understand important customers and the market.</p> <p>2.The Company has a stable source of supply and support from key component suppliers.</p>	<p>1.The high proportion of outsourcing and export makes the Company more prone to the impact of exchange rates. <u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> •Collecting information regarding foreign exchange rates to effectively reduce the impact on revenue and profitability. •Depending on the Company's capital needs and the information provided by banks and financial institutions,

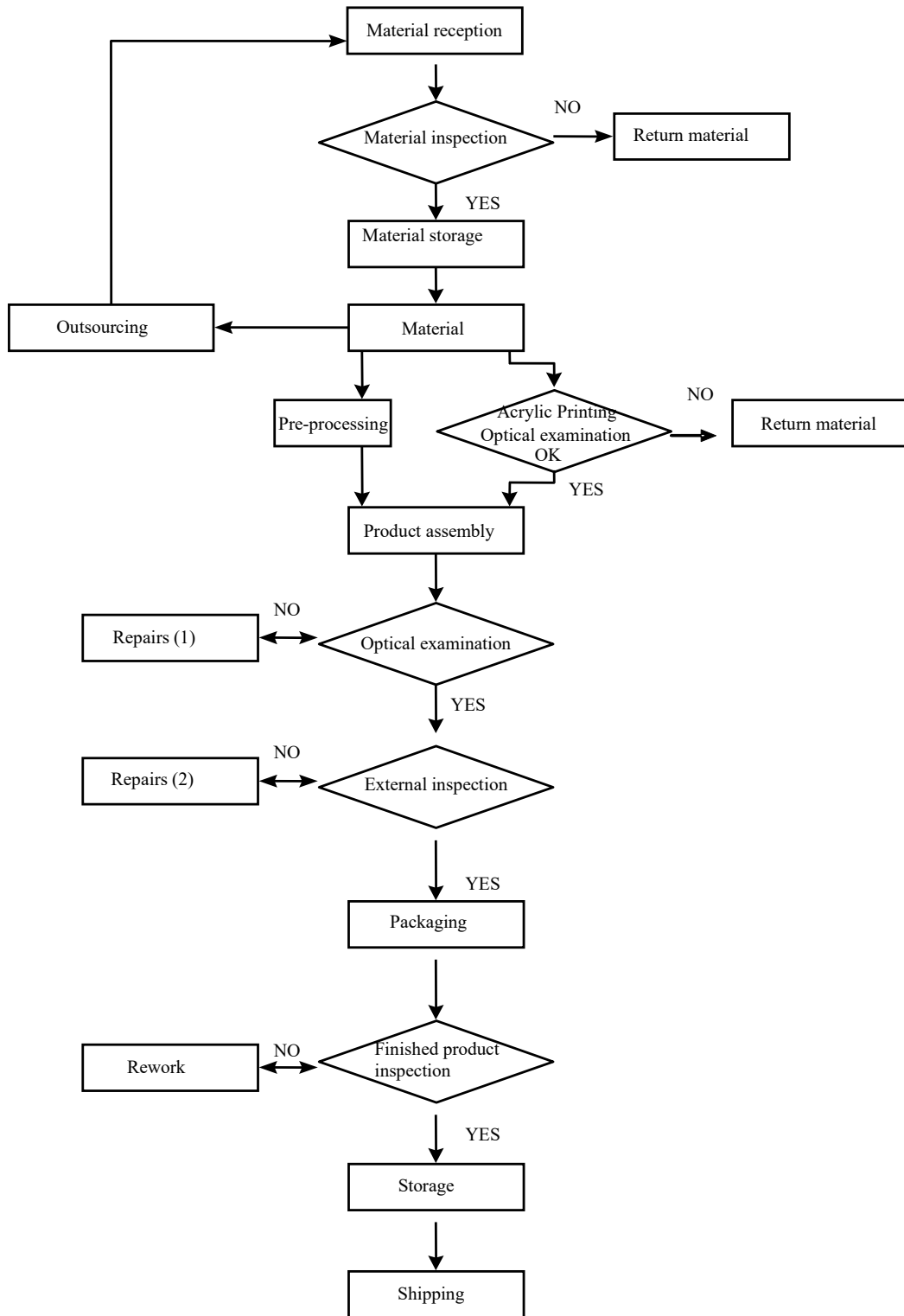
Item	Favorable Factors	Unfavorable Factors and Countermeasures
		<p>the Company can decide on the timing for foreign exchange hedge in order to avoid exchange risk.</p> <p>2.Continuous increase in China's manufacturing costs.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> •Introducing production automation as soon as possible to effectively reduce labor costs. <p>3.The increase in the proportion of overseas investment has gradually disqualified the Company for domestic tax incentives, and the overall tax advantage has gradually decreased.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> •Keeping the R&D focus in Taiwan to benefit from R&D incentives. •Making tax planning from a Group perspective to seek the overall minimum tax. <p>4.The scale of operations in China is growing, and the financial planning of daily operations is susceptible to tightening local monetary policies.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> •Increase the number of financial institutions and credit lines outside of China. •Adjust the trading flow to reduce the funding demand of companies in China. <p>5.The China- US trade war has led to an increase in the risk of operational costs.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> •The products that may be affected will gradually be produced in Taiwan.
Within the Company's Conditions	<p>1. Technical advantages and mass production scale.</p> <p>2.The Company shortens the production cycle and changes the process time with lean management, and continuously introduces the automation process, which can meet the customers' small-amount demands as well as fulfilling the multi-line production at the same time to meet a large number of orders.</p>	<p>The scale of operation of the company has grown rapidly and the logistics integration capability needs to be further strengthened.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> •Engaging professionals to participate in the Company's operations planning. •Establishing a comprehensive talent training and incentive system. •Making use of computer information systems to simplify internal operations.
Product and Technology Development thermal	<p>1.The product line is complete and competitive on the market.</p> <p>2.The R&D team is strong enough to masters key technologies and makes the Company a market leader.</p> <p>3.The Company has the technology to design and manufacture large-size LCD backlight modules.</p> <p>4.The Company has the advanced technology and products based on the integration of light, mechanical, electricity, and software.</p> <p>5.The Company has the advanced technology and products with ultra-short throw machine and solid state light source.</p> <p>6.The R&D team continues to innovate and provides customers with comprehensive projection solutions.</p>	<p>Industry sales change rapidly, and customer cost control has become increasingly stringent.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> •Maintaining close relationships with key component suppliers to understand their capacity and adjust lead time. •Developing innovative technologies, improving the ability to produce parts, and cooperating with third-party manufacturers to develop Film materials with their own LGP technology to optimize optical performance. •Actively carrying out technical cooperation or strategic alliance with major domestic and foreign manufacturers to facilitate the launch of new products or the acquisition of new technologies.
Sales overview and market capabilities	<p>1.The strategy is focusing on ODM and continuing to innovate as our advantages.</p> <p>2.Committed to the improvement of production technology and quality assurance system. The products have been recognized by domestic and foreign customers, and maintaining good customer relationships will help to</p>	<p>Science and technology are advancing rapidly, and some markets may be replaced by big screens or other new technologies. Traditional business models are also affected by e-commerce platforms.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> •Taking advantage of key market components and brand

Item	Favorable Factors	Unfavorable Factors and Countermeasures
	improve market stability.	<p>customers to capture pre-market information and market trends. Investing in the research and development of technologies that can compete with alternative technologies, as well as incorporating technologies such as HDR and LGP film into the Company's research and development.</p> <ul style="list-style-type: none"> •Using existing overseas subsidiaries to collect market information in order to understand market trends. The Group will also develop potential, and may replace the existing product market in the current product market, and incorporate the technology of the Company in the R&D projects, such as laser source and the ultra-short-throw interactive technology, multi-screen blending technology, and the immersive curve blending interaction technology. •Leveraging technology and customer access to build new retail trends and expand market applications.

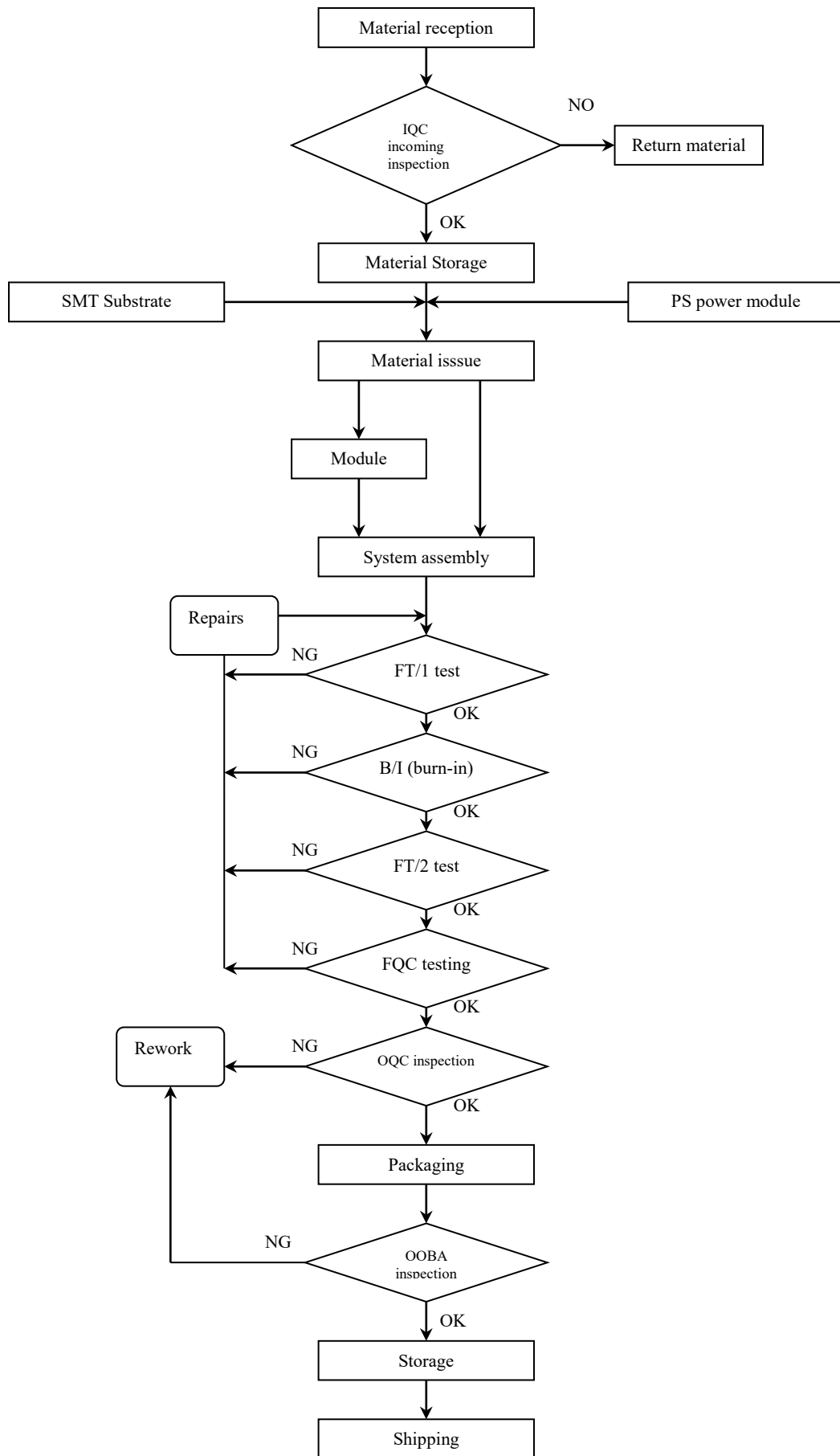
(II) Usage and production process of the primary products

1. Important uses of the primary products: The main uses of energy-saving products are tablet, notebook computers, LCD TVs, other large-size LCD flat-panel displays, and automotive head-up display modules. Projectors and imaging products are mainly used for computer data and large-screen projection, digital signage, multi-screen blending, interactive experience, smart connection and wearable display (AR/MR) for video image signals.

2. Production processes of the primary products
 (1) Production process for backlight production



(2) Projector production process



(III) Supply status of primary raw materials: The Company maintains good relations with raw material suppliers to effectively control the supply and shortens the delivery period, achieving cost reduction and autonomy. In addition, the Company diffuses risks by purchasing raw materials from manufacturers in Taiwan, Korea, Japan and the United States.

(IV) Suppliers/Customers Accounted for at Least 10% of Purchase/Sales and Respective Amount and Percentage in the most recent 2 years

- Information on major suppliers in the most recent 2 years: Due to the adjustment of product mix, the ratio of the procurement from Supplier A has reached 10%. The ratio of procurement from all other companies did not reach 10%.

Unit: NT\$1,000

Item	2017				2018				Up until March 31, 2019			
	Name (note)	Amount	Year Net purchase ratio (%)	Relationship with the issuer	Name (note)	Amount	Year Net purchase ratio (%)	Relationship with the issuer	Name (note)	Amount	Net purchase ratio of the first quarter of 2019 (%)	Relationship with the Issuer
1	Supplier A	5,780,768	15.33	-	Supplier A	5,675,488	14.98	-	Supplier A	720,905	10.37	-
2	Others	31,937,859	84.67	-	Others	32,214,923	85.02	-	Others	6,229,360	89.63	-
3	Total net purchase	37,718,627	100.00	-	Total net purchase	37,890,411	100.00	-	Total net purchase	6,950,265	100.00	-

Note: The name, amount and ratio of suppliers who took up more than 10% of total purchases for the last two years shall be stated. However, if the contract stipulates that the name of the supplier shall not be disclosed and the transaction counterparty is a non-related individual, it can be replaced by a code.

- Information on major customers in the most recent 2 years: No customer contributed to more than 10% of total sales

Unit: NT\$1,000

Item	2017				2018				Up until March 31, 2019			
	Name	Amount	Year Net sales ratio (%)	Relationship with the issuer	Name	Amount	Year Net sales ratio (%)	Relationship with the issuer	Title	Amount	Net sales ratio of the first quarter of 2019 (%)	Relationship with the issuer
1	Others	53,105,303	100.00	-	Others	55,672,933	100.00	-	Others	11,273,976	100.00	-
2	Total net sales	53,105,303	100.00	-	Total net sales	55,672,933	100.00	-	Total net sales	11,273,976	100.00	-

(V) Table of production volume in the most recent 2 years

Unit: NT\$1,000/Pcs/unit

Products	Year	2017			2018		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Energy-saving solutions		109,488,519	47,727,603	29,805,818	107,533,846	48,996,578	30,432,350
Visual solutions		2,240,000	1,447,008	14,692,697	2,400,000	1,296,291	14,777,758
Total		—	—	44,498,515	—	—	45,210,108

(VI) Sales volume in the most recent 2 years

Unit: NT\$1,000/Pcs/unit

Primary Products	Year	2017				2018			
		Domestic Sales		Overseas sales		Domestic Sales		Overseas sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Energy-saving solutions		21,244,562	11,020,953	26,656,442	17,870,249	19,918,766	9,359,728	27,702,226	16,384,062
Visual solutions		120,657	966,535	1,212,984	16,789,786	165,707	1,418,440	1,143,810	17,488,724
Others		—	567,215	—	5,890,565	—	922,320	—	10,099,659
Total		—	12,554,703	—	40,550,600	—	11,700,488	—	43,972,445

III. Employees

Year		2017	2018	Up until March 31, 2019
Employees Number	Technical personnel	3,386	3,022	2,943
	Management personnel	2,021	2,195	2,067
	Operating personnel	11,420	10,809	11,542
	Total	16,827	16,026	16,552
Average age		35.05	36.37	35.97
Average Years of Service		6.19	6.92	7.19
Education Distribution Ratio (%)	PhD	0.27	0.30	0.38
	Graduate School	7.05	8.02	8.15
	University/College	23.19	24.98	24.90
	High school (and below)	69.49	66.70	66.57

IV. Environmental protection expenditure

- (I) Total amount of losses (including compensation) and penalties for environmental pollution in the most recent year up to the publication date of this annual report: None.
- (II) Future countermeasures (including improvement measures) and possible expenditures: The Company has a dedicated unit to promote the ISO 14001

environmental management system / OHSAS 18001 occupational safety and health management system / CNS 15506 Taiwan occupational safety and health management system, ISO14064-1 greenhouse gas inventory certificate, ISO50001 energy management system and the green factory clean production evaluation system. The environmental protection and operation safety have been implemented. There has been no loss due to environmental pollution or work safety incidents by the competent authorities.

(III) In order to conform to the trend of green consumption in the 21st century, the Executive Yuan promulgated the “Organization Green Procurement Plan” in July 2001. In line with government policies, the Company has added environmentally-friendly products to priority procurement. In 2018, the total purchase amount was NT\$11,286,000.

V. Labor relations

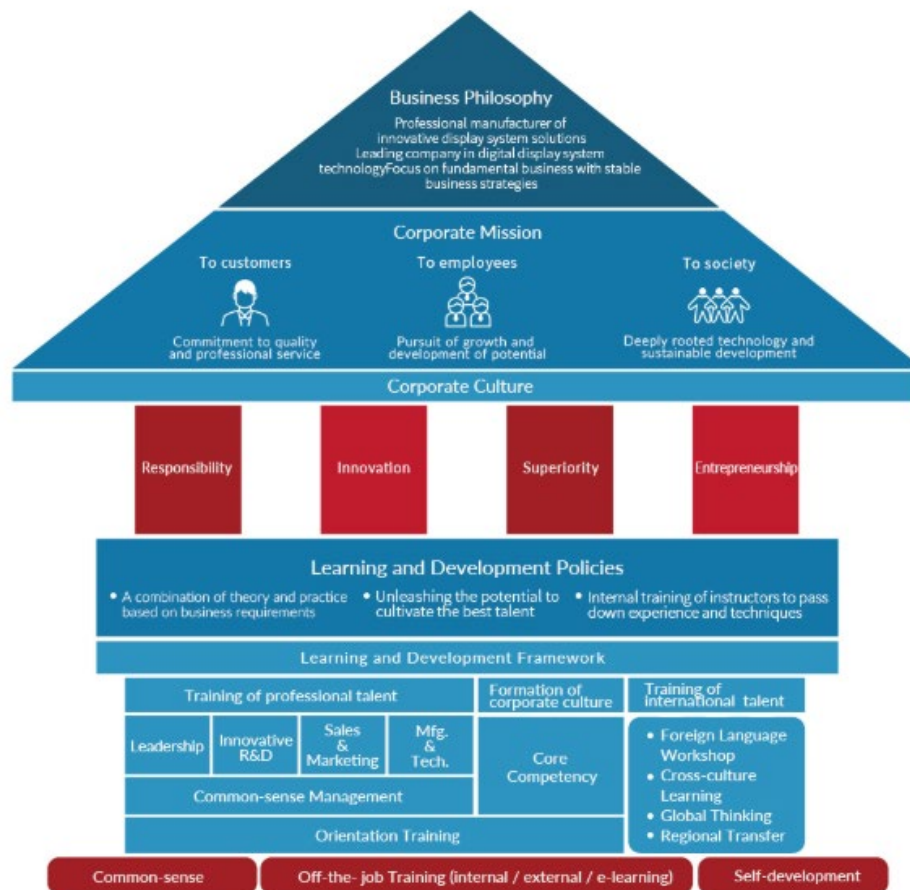
(I) Employee welfare measures, continuing education, training, retirement system and implementation status: The Company's treatment is comparable to that of its peers, and the labor-management relationship is harmonious. The welfare, training and retirement measures are all well-established, as explained below:

1. The Company has an Employee Welfare Committee to which funds are granted according to regulations to plan various welfare measures and organize activities such as employee trips, sports events and festivals to promote exchanges among colleagues as well as parent-child relations. In addition, in order to enhance the appreciation for art and allow employees to enjoy art and cultural activities, the Company occasionally arranges art and cultural performances for employees and their families to enrich their lives. The Company continues to promote employee assistance programs, provide free professional consulting services such as psychological, legal, medical and wealth management services. The Company values the health of its employees. Regular health checkups and health promotion activities are organized for employees to create a healthy workplace. Details of employee benefits and welfare measures are as follows:

Employee welfare measures	
Operating profit sharing (Applicable to full-time employees in Taiwan)	<ol style="list-style-type: none"> 1. Employee bonus (depending on the annual operational and individual performance) 2. Performance bonus, operating performance bonus, and R&D patent bonus 3. Award ceremony for excellent R&D personnel, senior employees and outstanding employees 4. Employee shares (when possible)
Comprehensive Employee Care	<ol style="list-style-type: none"> 1. Employee enjoy free group insurance, expatriate and family accident insurance, travel insurance for overseas travel, and insurance agents are regularly invited to the factories for consultation 2. Regular health checkups, employee health management, comfortable leisure space and professional medical consultation 3. Setting up breastfeeding (collection) rooms and providing information for mothers 4. Comprehensive retirement system 5. Working conditions with gender equality 6. Flexible working hours and shuttle buses

Employee welfare measures	
Diversified Welfare Design	<ol style="list-style-type: none"> 1. Gift vouchers for Labor Day, Mid-Autumn Festival, Dragon Boat Festival and birthday 2. Wedding gift, childbirth gift, hospitalization subsidies, condolences money, funding for clubs 3. Family day, year-end party, domestic and overseas trips 4. Restaurant, cafe, convenience store, employee leisure center, multi-functional employee fitness center

2. The Coretronic group believes that human resources are the company's most important asset. Therefore, the Company provides a diverse and flexible learning environment to enhance the professional skills of employees so that they can combine work and new knowledge to create the foundation for future self-development. The Company provides systematic training courses for employees based on their career and learning plans to help them become experts in management or other professions. Based on the course category, internal and external lecturers will be invited to share knowledge, experience and skills to enhance employee functions and career development. The Company organized a total of 203 training sessions for 2018 with the total number of participants of 4,545. The total number of training hours was 12,957 hours, costing approximately NT\$4,817,000. The Company supports learning and innovation and commits to creating a sustainable learning environment. Through a job-oriented learning development system, online learning practical training, as well as combining regional rotation and foreign language learning, the Company helps people who want to experience the world to realize their dreams.



3. The company's retirement system is handled in accordance with the Labor Standards Act. Since July 1st, 2005, the Company has complied with the regulations to implement a new system of labor pensions. According to the law, the employees who choose the new system have to deposit 6% personal account with the Bureau of Labor. Those who choose the old pension system or the new one but started working before the new system came into force will allocate 2% of the retirement reserve to the Company account of the Bank of Taiwan on a monthly basis. The Company has a sound retirement system to ensure that employees' pension funds and benefits are not being compromised. For 2018, 14 employees applied for retirement. All procedures were completed in accordance with regulations. After applying for retirement from a senior employee with excellent work performance, the Company invites employees to serve as consultants and imparts rich experience to other employees. It not only provides professional consulting services for the Company, but also provides a stage for the development of retired employees to continue to contribute.

- (II) Labor-management agreement and employee rights maintenance measures: The Company has established various regulations in accordance with the The Labor Act to ensure the rights and interests of employees through labor-management meetings, business group meetings, employee assistance programs and employee suggestion boxes.
- (III) Losses arising as a result of labor disputes in the most recent year up to the date of publishing of this annual report, and disclosure of potential losses in the current and

future terms and countermeasures: None.

(IV) Work environment and employee personal safety protection measures

The Company adheres to the philosophy of “pursuing excellence and valuing customers.” In order to protect employee health, maintain the work environment as well as protecting the environment, the Company promotes ISO14001 environmental management system/OHSAS18001 occupational safety and health management system/CNS15506 Taiwan occupational health and safety management system and obtained certification. In order to “implement risk management, prevent disasters and unhealthy occurrences, enhance employees' safety and hygiene awareness, create a safe and comfortable working environment, prevent pollution, reduce waste and recycle, and improve resource use efficiency, and becoming a green enterprise,” we are committed to the continuous improvement of environmental and safety management performance, to preventing occupational disasters, to improving the working environment, to maintaining peer safety and reducing accident losses, and to regularly implementing 6S inspections with the supervisors. In the process of inspection and improvement, all departments pay more attention to the safety of the work environment, gradually improve the safety awareness of personnel and reduce the risk of environmental hazards. In terms of personal safety protection, access safety control measures have been implemented. The guards patrol 24 hours a day, and surveillance system has been set up. In order to promote disaster prevention and enhance the crisis awareness and emergency response capability of the emergency response team members, the Company regularly reviews emergency contingency plans and implements disaster response drills, so as to effectively control the damage when disasters occur, and avoid personal injury and Company property losses. In addition to the fire brigade's fire drills in the factory area, the Company also conducts environmental and safety education and training. A total of 3,063 people were trained in 2018. One employee tripped and fell while walking, and lost one working day. In response to the accident, the employees have been made aware of the situation, and preventive measures have been taken. The effectiveness of risk control is regularly reviewed to eliminate the occurrence of accidents in the plant.

(V) Does the Company set up a code for employees conduct or ethics: The Company has established the “Code of Conduct for the Electronic Industry” to regulate the behavior of all employees. The main content is as follows:

1. The Company clearly defines ethical behavior, business integrity, conflicts of interests and work safety. "Code of Conduct" section has been set up on the internal website to ensure that employees who are engaging in the Company's business activities comply with the requirements of the ethics, customers and stakeholders.
2. The Company's Electronic Industry Code of Conduct Management Manual follows the requirements of the Electronic Industry Code of Conduct, with reference to the Universal Declaration of Human Rights, international social responsibility, trade ethics, and ecological management. This requirement is included in the supply chain audit system. In line with international trends, the Electronic Industry Code of Conduct Management Manual is being revised to the Responsible Business Alliance Code of Conduct Management Manual (RBA) to ensure a safe supply chain for the electronics industry, practitioners with dignity, and environmental protection as well as moral responsibility in manufacturing processes.
3. The Company hopes to create a sustainable environment and provides customers with satisfactory products and services through the incorporation of the

Responsible Business Alliance Code of Conduct Management Manual and the continuous introduction of relevant requirements.

VI. Important Contracts

Nature of Contract	Parties	Contract Start/End Date	Main Content	Restrictive Provisions
Land lease	Hsinchu Science Park Administration	2017.07.01~2036.12.31	Science Section of Hsinchu Science Park 9047.95 square meters of land	Not for sublease
Land lease	Hsinchu Science Park Administration	2019.01.01~2019.12.31	Science Section of Hsinchu Science Park 2838 square meters	Not for sublease
Land lease	Hsinchu Science Park Administration	2003.11.01~2022.12.31	Chunan Base land, Hsinchu Science Park Phase 3,328	Not for sublease
Land lease	Southern Taiwan Science Park Administration	2003.11.01~2022.12.31	Land in Southern Taiwan Science Park 7,563	Not for sublease
Trademark Licensing	HDBaseT Alliance	January 20th, 2015 till the end of the Company's membership in the technology alliance	The Alliance has granted its trademark licensing to the Company.	Not transferrable
Technology licensing	Dolby Laboratories Licensing Corporation	December 19th, 2002 for the duration of the patent	The Company's technology licensing is authorized and the royalty is paid by the Company	None
Technology licensing	A Technology Alliance	January 20th, 2015 to last patent lifetime	This technology license is granted and the royalty is paid by the Company	Confidentiality agreement
Supply Contract	A U.S. Company	Three years starting from July 31st, 2002 with automatic renewal	Contract for projector supply	Confidentiality
Supply Contract	A Japanese Company	January 6th, 2004-January 5th, 2005 with automatic renewal	Projector Procurement/Sales Contract	Confidentiality Agreement
Supply Contract	A major Japanese plant	April 1st, 2004-March 31st, 2005 with automatic renewal	Projector Procurement/Sales Contract	Confidentiality Agreement
Supply Contract	A Japanese household appliance and consumer electronic product brand	January 6th, 2005-January 5th, 2006 with automatic renewal. May 25th, 2005-May 24th, 2006 with automatic renewal.	Projector Procurement/Sales Contract	Confidentiality agreement
Supply Contract	A U.S. Company	November 1st, 2006 till any party terminates	Contract for projector supply	Confidentiality agreement
Supply Contract	A Japanese Company	Effective from December 1st, 2007	Contract for projector supply	Confidentiality agreement
Supply Contract	A Japanese Company	1 year from August 26th, 2009 with automatic renewal	Contract for projector supply	Confidentiality agreement/ Not transferrable
Supply Contract	A Canadian Company	Signed in 2010 but effective from October 21st, 2008 until any party terminates	Contract for projector supply	Confidentiality agreement
Supply	A U.S. Company	March 8th, 2010 until any	Optical Products Supply	Confidentiality

Nature of Contract	Parties	Contract Start/End Date	Main Content	Restrictive Provisions
Contract		party terminates	Contract	agreement
Supply Contract	A Japanese Company	June 1st ,2010~May 31st,2011 (Automatically renewed)	Backlight Module Supply Contract	Confidentiality agreement
Supply Contract	A U.S. Company	Signed on November 17th, 2010 but effective from November 1st, 2006 until terminated by any party	Contract for projector supply	Confidentiality agreement
Supply Contract	An American Company	1 year from March 15th, 2011 with automatic renewal	Contract for projector supply	Confidentiality agreement
Supply Contract	A Japanese Company	1 year from August 1st, 2011 with automatic renewal	Contract for projector supply	Confidentiality agreement
Supply Contract	A Korean Company	July 20th, 2011-July 19th, 2012 with automatic renewal	LCD Module Supply Contract	Confidentiality agreement
Supply Contract	A U.S. Company	5 years from November 23rd, 2012 with automatic renewal	Contract for projector supply	Confidentiality agreement
Supply Contract	A India Company	September 25th,2014 Termination of Contract from Party	Backlight Module Supply Contract	Confidentiality agreement
Supply Contract	A Korean Company	1 year from June 1st, 2015 with automatic renewal	LCD Module Supply Contract	Confidentiality agreement/ Not transferrable
Supply Contract	A Taiwanese Company	Effective from January 1st, 2016	Contract for projector supply	None

Chapter 6 Financial Summary

I. Condensed Balance Sheet and Comprehensive Income Statement of the Most Recent Five Years

(I) Condensed Balance Sheet for the most recent five years

1. International Financial Reporting Standards (Consolidated Statement)

Unit: NT\$1,000

Item \ Year	Financial information for the most recent 5 years (Note 1)						
	2014.12.31	2015.12.31	2016.12.31	2017.12.31	2018.12.31	up until March 31, 2019 (Note 2)	
Current assets	44,773,443	43,551,624	41,440,028	43,944,704	39,983,296	38,688,732	
Long-term investment (Note 3)	485,019	384,790	413,088	315,029	379,924	411,926	
Property, plant and equipment	9,491,032	8,888,079	7,543,772	6,760,253	6,551,312	6,449,701	
Intangible assets	98,258	131,426	120,774	171,728	156,402	149,194	
Other assets	806,299	892,498	835,767	827,295	966,271	2,705,189	
Total assets	55,654,051	53,848,417	50,353,429	52,019,009	48,037,205	48,404,742	
Current Liabilities	Before distribution	29,221,480	27,583,117	26,187,830	27,747,440	23,195,844	21,439,612
	After distribution	31,122,081	28,397,660	27,056,676	28,833,498	(Note 4)	(Note 4)
Non-current liabilities	409,218	603,288	410,924	724,908	575,708	1,955,912	
Liabilities Total	Before distribution	29,630,698	28,186,405	26,598,754	28,472,348	23,771,552	23,395,524
	After distribution	31,531,299	29,000,948	27,467,600	29,558,406	(Note 4)	(Note 4)
Equity Attributable to the parent company	23,581,330	23,270,527	21,633,095	21,532,101	22,205,213	22,862,122	
Share capital	5,430,289	5,430,289	4,344,231	4,344,231	4,344,231	4,344,231	
Capital surplus	4,624,156	4,624,208	4,627,479	4,092,423	4,072,808	4,144,596	
Retained Surplus	Before distribution	12,336,899	12,339,806	13,333,015	14,288,274	15,401,992	15,496,098
	After distribution	10,436,298	11,525,263	12,464,169	13,202,216	(Note 4)	(Note 4)
Other equity	1,189,986	876,224	(671,630)	(1,192,827)	(1,613,818)	(1,122,803)	
Treasury stock	—	—	—	—	—	—	
Minority equity	2,442,023	2,391,485	2,121,580	2,014,560	2,060,440	2,147,096	
Equity Total	Before distribution	26,023,353	25,662,012	23,754,675	23,546,661	24,265,653	25,009,218
	After distribution	24,122,752	24,847,469	22,885,829	22,460,603	(Note 4)	(Note 4)

Note 1: Consolidated financial information for the most recent 5 years has been audited by CPAs.

Note 2: Consolidated financial information for the first quarter of 2019 has been reviewed by CPAs.

Note 3: Financial assets at fair value through profit or loss-noncurrent, financial assets at fair value through other comprehensive income-noncurrent, financial assets measured at cost-noncurrent.

Note 4: Distribution of earnings for 2018 is subject to the resolution of the annual shareholders' meeting. Therefore, the amount after distribution is not listed.

2. International Financial Reporting Standards (Individual Statements)

Unit: NT\$1,000

Item	Year	Financial information for the most recent 5 years (Note 1)				
		2014.12.31	2015.12.31	2016.12.31	2017.12.31	2018.12.31
Current assets		11,156,133	11,744,630	12,359,671	9,493,077	12,109,159
Long-term investment (Note 2)		21,543,319	22,509,451	22,623,243	24,299,439	24,441,658
Property, plant and equipment		1,375,385	1,308,578	1,285,461	1,213,970	1,338,638
Intangible assets		27,282	26,703	28,117	33,210	33,653
Other assets		71,192	132,804	132,507	130,911	173,966
Total assets		34,173,311	35,722,166	36,428,999	35,170,607	38,097,074
Current Liabilities	Before distribution	10,369,140	11,968,159	14,542,410	13,460,310	15,428,197
	After distribution	12,269,741	12,782,702	15,411,256	14,546,368	(Note 3)
Non-current liabilities		222,841	483,480	253,494	178,196	463,664
Liabilities Total	Before distribution	10,591,981	12,451,639	14,795,904	13,638,506	15,891,861
	After distribution	12,492,582	13,266,182	15,664,750	14,724,564	(Note 3)
Equity Attributable to the parent company		23,581,330	23,270,527	21,633,095	21,532,101	22,205,213
Share capital		5,430,289	5,430,289	4,344,231	4,344,231	4,344,231
Capital surplus		4,624,156	4,624,208	4,627,479	4,092,423	4,072,808
Retained Surplus	Before distribution	12,336,899	12,339,806	13,333,015	14,288,274	15,401,992
	After distribution	10,436,298	11,525,263	12,464,169	13,202,216	(Note 3)
Other equity		1,189,986	876,224	(671,630)	(1,192,827)	(1,613,818)
Treasury stock		—	—	—	—	—
Minority equity		—	—	—	—	—
Equity Total	Before distribution	23,581,330	23,270,527	21,633,095	21,532,101	22,205,213
	After distribution	21,680,729	22,455,984	20,764,249	20,446,043	(Note 3)

Note 1: The individual financial information for the most recent 5 years has been audited by CPAs.

Note 2: Financial assets at fair value through profit or loss-noncurrent, financial assets at fair value through other comprehensive income-noncurrent, financial assets measured at cost-noncurrent, and investments accounted for using the equity method.

Note 3: Distribution of earnings for 2018 is subject to the resolution of the annual shareholders' meeting. Therefore, the amount after distribution is not listed.

(II) Condensed consolidated statement of comprehensive income for the most recent 5 years

1. International Financial Reporting Standards (Consolidated Statement)

Unit: NT\$1,000

Project	Year	Financial information for the most recent 5 years (Note 1)					Financial Data Up until March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Operating revenue		81,177,987	68,160,042	57,057,665	53,105,303	55,672,933	11,273,976
Gross profit		11,300,737	9,383,555	9,534,318	9,090,518	10,369,870	1,841,141
Operating income		3,403,677	2,015,652	1,972,130	1,731,281	2,301,619	59,212
Non-operating income and expenses		575,056	681,809	688,751	491,101	565,702	122,162
Net income before tax		3,978,733	2,697,461	2,660,881	2,222,382	2,867,321	181,374
Net income from continuing operations		—	—	—	—	—	—
Loss from discontinued operations		—	—	—	—	—	—
Net income (loss)		3,004,564	1,955,209	1,826,093	1,704,578	2,128,184	100,728
Other comprehensive income		1,030,316	(256,613)	(1,752,169)	(488,444)	(359,410)	(510,609)
Total comprehensive income		4,034,880	1,698,596	73,924	1,216,134	1,768,774	611,337
Net profit attributable to owners of parent company		2,841,113	1,905,047	1,964,534	1,750,627	2,020,219	94,106
Net income attributable to minority interests		163,451	50,162	(138,441)	(46,049)	107,965	6,622
Total comprehensive income attributable to owners of parent company		3,779,386	1,658,491	319,958	1,302,908	1,649,136	585,121
Total comprehensive income attributable to minority interests		255,494	40,105	(246,034)	(86,774)	119,638	26,216
Earnings per share (NT\$)		4.46	3.51	4.01	4.03	4.65	0.22

Note 1: Consolidated financial information for the most recent 5 years has been audited by CPAs.

Note 2: Consolidated financial information for the first quarter of 2019 has been reviewed by CPAs.

2. International Financial Reporting Standards (Individual Statements)

Unit: NT\$1,000

Project	Year	Financial information for the most recent 5 years (Note 1)				
		2014	2015	2016	2017	2018
Operating revenue		21,314,604	20,901,196	21,276,306	19,561,266	19,698,298
Gross profit (Note 2)		2,823,269	2,427,107	2,802,593	2,747,442	2,995,651
Operating income		550,178	(48,888)	96,854	153,691	(259,401)
Non-operating income and expenses		2,645,319	2,096,840	2,044,764	1,642,478	2,292,184
Net income before tax		3,195,497	2,047,952	2,141,618	1,796,169	2,032,783
Net income from continuing operations		2,841,113	1,905,047	1,964,534	1,750,627	2,020,219
Loss from discontinued operations		—	—	—	—	—
Net income (loss)		2,841,113	1,905,047	1,964,534	1,750,627	2,020,219
Other comprehensive income		938,273	(246,556)	(1,644,576)	(447,719)	(371,083)
Total comprehensive income		3,779,386	1,658,491	319,958	1,302,908	1,649,136
Net profit attributable to owners of parent company		—	—	—	—	—
Net income attributable to minority interests		—	—	—	—	—
Total comprehensive income attributable to owners of parent company		—	—	—	—	—
Total comprehensive income minority equity		—	—	—	—	—
Earnings per share (NT\$)		4.46	3.51	4.01	4.03	4.65

Note 1: The individual financial information for the most recent 5 years has been audited by CPAs.

Note 2: Including the (unrealized) gain from the affiliated companies.

(III) Names of CPAs over the most recent 5 years and audit opinions

Year	Accounting Firm	Name of CPA	Audit opinion
2014	Ernst & Young ,Taiwan	Hsin-Min Hsu and Jin-lai Wang	Unqualified opinion
2015	Ernst & Young ,Taiwan	Hsin-Min Hsu and Jin-lai Wang	Unqualified opinion
2016	Ernst & Young ,Taiwan	Hsin-Min Hsu and Jin-lai Wang	Unqualified opinion
2017 (Note 1)	Ernst & Young ,Taiwan	Hsing-Min Hsu, Chih-Chung Chen	Unqualified opinion
2018	Ernst & Young ,Taiwan	Hsing-Min Hsu, Chih-Chung Chen	Unqualified opinion

Note 1: In response to the internal organizational adjustment of Ernst & Young, the Company replaced the CPAs with Hsin-min Hsu and Chi- Chung Chen on April 26th, 2017.

II. Financial analysis for the most recent 5 years

1. International Financial Reporting Standards (Consolidated Statement)

Analyzed item		Financial analysis for the most recent 5 years (Note 1)					
		2014	2015	2016	2017	2018	Up until March 31, 2019 (Note 2)
Financial Structure (%)	Debt-to-asset ratio	53.24	52.34	52.82	54.74	49.49	48.33
	Long-term capital to property, plant and equipment	252.77	268.61	292.22	329.23	347.73	384.79
Repayment Capacity (%)	Current ratio	153.22	157.89	158.24	158.37	172.37	180.45
	Quick ratio	128.56	129.88	129.06	127.79	136.31	143.63
	Interest coverage ratio	25.88	18.90	27.01	13.54	12.70	2.86
Operational Capacity	Receivables Turnover Rate (Times)	3.86	3.41	3.04	3.10	3.66	3.62
	Average collection days	95	107	120	118	100	101
	Inventory Turnover Rate (times)	9.13	8.06	6.25	5.48	5.36	4.56
	Payables Turnover Rate (times)	4.05	3.78	3.46	3.47	4.08	4.49
	Average days for sales	40	45	58	67	68	80
	Property, Plant and Equipment Turnover Rate (Times)	8.64	7.42	6.95	7.43	8.37	6.94
	Total Asset Turnover Rate (Times)	1.43	1.25	1.10	1.04	1.11	0.94
Profitability - (%)	Return on Assets	5.23	3.71	3.93	3.71	4.43	1.43
	Return on Equity	12.56	8.13	8.75	8.11	9.24	1.67
	Income before tax to paid-up capital ratio	73.27	49.67	61.25	51.16	66.00	16.70
	Net profit margin	3.70	2.87	3.20	3.21	3.82	0.89
	Earnings per share (NT\$)	4.46	3.51	4.01	4.03	4.65	0.22
Cash Flow (%)	Cash flow ratio	20.04	4.50	10.05	10.77	15.54	5.49
	Cash flow adequacy ratio	112.64	85.06	136.98	151.46	153.42	124.73
	Cash reinvestment ratio	16.31	—	5.67	6.54	7.54	3.49
Degree of leverage	Operating leverage	1.61	1.97	1.82	1.88	1.63	7.37
	Financial leverage	1.05	1.08	1.05	1.11	1.12	(1.54)

Reasons for changes in various financial ratios in the most recent two years. (analysis is not required if the change is within 20%)

1. The increase in net income before tax to paid-in capital ratio was caused by the increase in net profit before tax.
2. Increase in EPS is due to the increase in net profit after tax.
3. The increase in cash flow ratio was due mainly to the increase in net cash inflow from operating activities and the decrease in current liabilities.

Note 1: Consolidated financial information for the most recent five years has been audited by CPAs.

Note 2: Consolidated financial information for the first quarter of 2019 has been reviewed by CPAs.

2. International Financial Reporting Standards (Individual Statements)

Analyzed item	Year	Financial analysis for the most recent 5 years (Note 1)				
		2014	2015	2016	2017	2018
Financial Structure (%)	Debt-to-asset ratio	31.00	34.86	40.62	38.78	41.71
	Long-term capital to property, plant and equipment	1,714.53	1,803.39	1,702.63	1,788.37	1,693.43
Repayment Capacity (%)	Current ratio	107.59	98.13	84.99	70.53	78.49
	Quick ratio	92.58	84.76	72.51	60.10	69.51
	Interest coverage ratio	47.96	36.78	56.04	19.26	12.01
Operational Capacity	Receivables Turnover Rate (Times)	3.14	2.99	2.44	2.23	2.61
	Average collection days	116	122	149	163	140
	Inventory Turnover Rate (times)	11.95	12.52	11.43	10.92	12.70
	Payables Turnover Rate (times)	4.12	4.39	3.49	3.09	3.14
	Average days for sales	31	29	32	33	29
	Property, Plant and Equipment Turnover Rate (Times)	15.03	15.58	16.40	15.65	15.43
	Total Asset Turnover Rate (Times)	0.62	0.60	0.59	0.55	0.54
Profitability Capacity (%)	Return on Assets	8.45	5.59	5.48	5.12	5.93
	Return on Equity	12.56	8.13	8.75	8.11	9.24
	Income before tax to paid-up capital ratio	58.85	37.71	49.30	41.35	46.79
	Net profit margin	13.33	9.12	9.23	8.95	10.26
	Earnings per share (NT\$)	4.46	3.51	4.01	4.03	4.65
Cash Flow (%)	Cash flow ratio	10.62	2.42	0.19	12.61	16.57
	Cash flow adequacy ratio	34.30	5.76	19.13	55.43	91.94
	Cash reinvestment ratio	4.40	—	—	3.14	5.46
Degree of leverage	Operating leverage	1.49	(4.79)	3.22	2.75	(0.04)
	Financial leverage	1.14	0.46	1.67	2.78	0.58
Reasons for changes in various financial ratios in the most recent two years. (analysis is not required if the change is within 20%)						
1. The decrease in interest coverage ratio was mainly due mainly to the increase in interest expenses.						
2. The increase in cash flow ratio was mainly due to the increase in net cash inflow from operating activities in 2018.						
3. The increase in cash flow adequacy ratio was mainly due to the increase in the net cash flow from operating activities for the most recent 5 years.						
4. The increase in cash reinvestment ratio was mainly due to the increase in net cash inflow from operating activities.						
5. The decrease in operating leverage was mainly due to the increase in operating costs and expenses.						
6. The decrease in the ratio of financial leverage was mainly due to the decrease in operating income and the increase in interest expenses in 2018.						

Note 1: The individual financial information for the most recent 5 years has been audited by CPAs.

Note 2: Formulas used for calculation are listed below.

1. Financial structure

(1)Debt-asset Ratio = Total Liabilities / Total Assets.

(2)Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.

2. Solvency

(1)Current Ratio = Current Assets / Current Liabilities.

(2)Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.

(3)Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.

3. Operation performance

(1)Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).

(2)Average Collection Days = 365 / Receivables Turnover Rate.

(3)Inventory Turnover Rate = Cost of Sales / Average Inventory.

(4)Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).

(5)Average Days for Sale = 365 / Inventory Turnover Rate.

- (6)Property, Plant, and Equipment Turnover Rate = Net Sales / Average Net Property, Plant, and Equipment.
(7)Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
(1)Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - interest rates)] / Average total asset value.
(2)Return on Equity = Net Income / Average Total Equity.
(3)Net Profit Margin = Net Income / Net Sales.
(4)Earnings per Share = (Income Attributable to Owners of Parent Company – Dividends on Preferred Stock) / Weighted Average Number of Shares Issued. (Note 3)
5. Cash flow
(1)Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
(2)Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
(3)Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend)/(property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 4)
6. Leverage:
(1)Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income (Note 5).
(2)Financial Leverage = Operating Income / (Operating Income - Interest Expenses).
- Note 3: Special attention shall be paid to the following matters when using the formula above to calculate earnings per share:
1. Based on the weighted average number of shares of common stock, not the number of issued shares at the end of the year.
2. For cash capital increase or transaction of treasury stock, the circulation period should be taken into consideration when calculating the weighted average number of shares.
3. For capital increase by retained earnings or capital surplus, the Company shall retrospectively adjust the earnings per share for the past fiscal year and the semi-annual earnings ratio, without considering the issuance period of the capital increase.
4. If the preferred shares cannot be converted into cumulative preferred shares, the dividend of the year (whether it is issued or not) shall be deducted from net income after tax (NIAT), or added to net loss after tax. If the preferred stock is non-cumulative, the dividend of the preferred stock shall be deducted from the net profit after tax. If the Company suffers from losses, it shall not be adjusted.
- Note 4: Special attention should be paid to the following matters when measuring cash flow analysis:
1. Net cash flow from operating activities is the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure is the annual cash outflow for capital investment.
3. The increase in inventory is included only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is counted as zero.
4. Cash dividends include cash dividends from ordinary shares and preferred stocks.
5. Property, plant and equipment refers to the total value of PP&E minus accumulated depreciation.
- Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable in accordance with their nature. If it involves estimation or subjective judgment,
- Note 6: If the Company's shares have no par value or a par value other than NT\$10, any calculations that involve paid-in capital ratio shall be replaced with the equity ratio belonging to the owner of the parent company, as shown in the balance sheet.

III. Audit Committee's Review Report for the most recent year

Audit Committee's Review Report

The Board of Directors of the Company has delivered the 2018 business report, the financial statements and the proposed 2018 earnings distribution. The aforesaid 2018 financial statements of the Company and the consolidated financial statements had been audited by Ernst & Young. The Audit Committee has examined the above statements and found nothing out of order and thus prepared this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your ratification.

Coretronic Corporation

Chairman of the Audit Committee : Ted Tu

March 25th, 2019

- IV. Financial report for the most recent year: Please refer to page 131 - page 257.
- V. Individual financial report audited by CPAs for the most recent year: Please refer to page 258 - page 369.
- VI. Impact of financial difficulties of the Company and affiliated companies on the financial status of the Company in the most recent year, up to the publication date of this report: None.
- VII. Certifications and licenses awarded by the competent authority for personnel who are related to the transparency of financial information: four are licensed CPAs in the Republic of China.

Chapter 7 Review and analysis of risks regarding the financial position and performance

I. Financial Position

Unit: NT\$1,000

Project	Year	2018	2017	Difference	
				Amount	%
Current assets		39,983,296	43,944,704	(3,961,408)	(9.01%)
Property, plant and equipment		6,551,312	6,760,253	(208,941)	(3.09%)
Long-term investment (Note)		379,924	315,029	64,895	20.60%
Intangible assets		156,402	171,728	(15,326)	(8.92%)
Other assets		966,271	827,295	138,976	16.80%
Total assets		48,037,205	52,019,009	(3,981,804)	(7.65%)
Current liabilities		23,195,844	27,747,440	(4,551,596)	(16.40%)
Long-term liabilities		287,295	459,251	(171,956)	(37.44%)
Other liabilities		288,413	265,657	22,756	8.57%
Total liabilities		23,771,552	28,472,348	(4,700,796)	(16.51%)
Share capital		4,344,231	4,344,231	—	—
Capital surplus		4,072,808	4,092,423	(19,615)	(0.48%)
Retained earnings		15,401,992	14,288,274	1,113,718	7.79%
Other equity		(1,613,818)	(1,192,827)	(420,991)	35.29%
Non-controlling equity		2,060,440	2,014,560	45,880	2.28%
Total equity		24,265,653	23,546,661	718,992	3.05%
Analysis of changes in ratios: (changes less than 20% can be exempted)					
1. Decrease in long-term liabilities is due to the decrease in long-term loans.					
2. Decrease in other equity is mainly due to the depreciation of RMB, which resulted in an increase in the exchange difference arising from the translation of the financial statements of foreign-operating institutions.					

Note: Financial assets at fair value through profit or loss-noncurrent, financial assets at fair value through other comprehensive income-noncurrent, financial assets measured at cost-noncurrent.

II. Financial performance

(I) Comparative Analysis of Operational Performance

Unit: NT\$1,000

Project \ Year	2018	2017	Increase/decrease	Change in percentage
Operating revenue	55,672,933	53,105,303	2,567,630	4.83%
Operating Costs	45,303,063	44,014,785	1,288,278	2.93%
Gross profit	10,369,870	9,090,518	1,279,352	14.07%
Operating expenses	8,068,251	7,359,237	709,014	9.63%
Operating profit	2,301,619	1,731,281	570,338	32.94%
Non-operating income and expenses	565,702	491,101	74,601	15.19%
Net income before tax	2,867,321	2,222,382	644,939	29.02%
Income tax benefit (expense)	(739,137)	(517,804)	(221,333)	42.74%
Net income	2,128,184	1,704,578	423,606	24.85%

Analysis of changes in ratios: (changes less than 20% can be exempted):

1. Increase in operating profit was due to the increase in the operating profit caused by the product mix.
2. The increase in net profit before tax was mainly due to the increase in the operating profit and financial asset benefits measured at fair value through profit or loss.
3. The increase in income tax expenses was mainly due to the increase in net profit before tax.

(II) Expected sales volume and basis: Looking forward to the development of 2019, the uncertainty of the overall world economic situation caused by the trade war has increased, making the overall consumer market growth limited. Only some markets, such as industrial control, automotive and public information display show growth momentum. The energy-saving business group will continue to research and develop various types of light guide plates, light guide lenses and special optical control diaphragms, as well as developing high-value display products that are light and compact, energy-saving, privacy, and high-dynamic range imaging. The Company will enter application markets such as the automotive, industrial control, medical, gaming, smart home and commercial display, aiming to pursue higher profits and value. The Company will equally integrate business models through Open Cell, light guides plate, touch screens, and integrated one-stop technology and production to receive orders from all over the world and win over customers in home and other markets. It is expected that the overall operation of the energy-saving business group in 2019 years will be steadily growing with the goal of pursuing high profits and value.

Looking forward to 2019, the visual solutions business group will continue to take advantage of and integrate core technologies such as light, mechanical, electricity, thermal and software to create new home entertainment, large screen blending, digital signage, large venue, smart retail, and LED Wall and other video interactive new experience, as well as expanding customers and applications in different fields. It is expected that the operation of the visual solutions business group will continue to grow in 2019.

III. Cash flow

(I) Analysis of cash flow changes in the most recent fiscal year:

Project \ Year	2018	2017	Increase (decrease) in percentage (%)
Cash flow ratio	15.54	10.77	44.29%
Cash flow adequacy ratio	153.42	151.46	1.29%
Cash reinvestment ratio	7.54	6.54	15.29%

Analysis of changes in ratios:
 1. The increase in cash flow and cash reinvestment ratio was mainly due to the increase in net cash inflow from operating activities in 2018.

(II) Improvement plans for liquidity shortage: Not applicable.

(III) Cash liquidity analysis for the following year

Unit: NT\$1,000

Cash at the beginning of the period Balance①	Expected throughout the year Cash from net operating activities Cash flow②	Expected annual cash Cash outflow③	Expected cash surplus (Inadequacy) ① + ② - ③	Expected cash inadequacy and remedial measures	
				Investment plan	Financial plan
2,995,473	3,851,617	2,000,000	4,847,090	-	-

1. Analysis of changes in cash flow for the upcoming year
 Net cash inflow from operating activities was mainly generated by business profit. It is estimated that the annual cash outflow is mainly for cash dividends and long-term investment. The Company can support it with its own funds.

IV. Impact of Major Capital Expenditures on Corporate Finances and Business for the Most Recent Year: None.

V. Policy on investment in other companies, main reasons for profit / losses resulting therefrom, improvement plan and investment plans for the upcoming fiscal year:

The Company's reinvestment policy focuses on long-term strategic investment. The Company's income from reinvestment for 2018 was NT\$2,173,088,000, which was mainly due to the good profitability of the invested companies. The Company will continue to carefully evaluate investment plans in the future.

VI. Risks Factors

(I) Impact of interest rate and exchange rate fluctuations, as well as inflation on the Company's profit and loss, as well as future response measures:

1. Impact on the Company's profit and loss

(1) Interest rate: Interest expense took up 0.94% of net sales in 2018. Therefore, the change in interest rate had no significant impact on the Company. A 1% interest rate change will increase the interest expense for the Company by approximately NT\$54,734,000.

(2) Exchange rate: The total exchange rate and net valuation gain on financial assets for 2018 was NT\$168,962,000, accounting for 0.86% of net sales.

If the exchange rate of NTD against USD goes up by 1%, it will have a 0.15% impact on the Company's gross profit margin.

- (3) Inflation: If the inflation rate is 1%, the Company's expenses will increase by NT\$31,974,000.

2. Future response measures

- (1) Interest rate: The Company works with a number of financial institutions have obtained appropriate financing rates. Dedicated staff has also been appointed to maintain close interactions with financial institutions.
- (2) Exchange rate: The Company has designated professional personnel to assess exchange rate fluctuations and control the impact of exchange rate fluctuations on the Company.
- (3) Inflation: The Company keeps a close eye on market price fluctuations at all times and maintains good interactions with its suppliers and customers.

(II) Policies on engaging in high-risk, high-leverage investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures to be undertaken

1. The Company did not engage in transactions such as high-risk, high-leverage investments or loans to other parties in 2018. For hedging considerations, procedures and dedicated personnel have been set up for risk control as well as being regularly reviewed.
2. The Company's endorsement/guarantee counterparties for 2018 were mainly subsidiary companies. The Company's endorsement and guarantee were provided in accordance with the "Procedures for Lending and Endorsement and Guarantee" with the highest amount of NT\$21,441,902,000. The balance of endorsement and guarantee was NT\$ 271,997,000 as of the end of 2018.
3. For information on the Company's capital lending to other parties, endorsements and guarantees and derivatives trading for 2018, please refer to the CPA's 2018 Financial Report and the notes.

(III) Future R&D projects and R&D expenditure to be invested

1. Future R&D plans are as follows:
 - (1) In terms of energy-saving solutions, the Company will actively tap into the niche product market. The Company is optimistic about the multi-application trend of displays, and continue to develop special-purpose LCD screen displays to cater to the potential demand of the market. The Company aims at keeping technological innovations in line with market demand, and developing more extreme and forward-looking display products that will be widely used in various types of displays. System products such as irregular combination video wall image blending system, the video wall with the world's narrowest border, interactive conference display, surrounding gaming display, privacy display, automotive head-up display module and energy-efficient display products. The goals include providing customers with one-stop solution, adding software development capabilities to integrate software with innovative hardware applications and optimize user experience.
 - (2) In terms of traditional projectors, in addition to enhancing the convenience and competitiveness, the Company will continue to develop more

high-resolution and high-brightness models with 4K definition to optimize the product line. In addition, in order to cater to the market demand and find solutions to common problems, the Company uses core technology as a base to complete the solid-state light source (laser and LED), short through, 4K ultra high-definition, smooth motion imaging technology of the full laser display platform product line. At the same time, the Company strengthens multimedia applications and functions such as touch control and Internet. Combined with image recognition, artificial intelligence, cloud value-added services and intelligent software development, system integration capabilities, the Company creates a user-friendly environment and interactive new experience for various application areas (including education, business, home, commercial displays, digital signage, large venue, smart retail and medical care) to create comprehensive projection solutions.

2. Estimated R&D expenses: The Company's R&D expenses for 2018 were NT\$1.7 billion, accounting for 8.84% of the net sales value for 2018. The estimated amount of R&D expenses for 2019 is expected to be NT\$1.9 billion.

(IV) Changes to local and overseas policies and laws that impact the company's financial operations and response measures: None.

(V) Impact of Changes in Technology and Industry on Corporate Finance and Business, and Response Measures

The LCD panel industry continues to grow, and the trend for displays will adopt multiple technologies. In addition to LCD technology, the technologies of AMOLED and Mini/Micro LED are also booming. They are expected to take up part of the market in the near future. In addition to maintain panel makers and brand customers, the Company has focused on the application markets such as notebook, TV, medical and automotive applications. In response to the new competitive situation, the Company has actively invested in the development of new markets and new products, such as irregular combination video wall image blending system, the video wall with the world's narrowest frame, commercial privacy display application, surrounding gaming display, automotive head-up display module, blue ray energy-saving display, HDR (Local Dimming) display application LCM module, etc., namely value-added and high-end products that provide customers with differentiated product portfolios and new application reach, in a winning position in the highly competitive display market.

The rapid development of LCD and LED technology allows the LCD panel to expand upwards. The segmented home, education and corporate markets and LED TV Wall are also widely used in commercial advertising, digital signage and large public information display. However, the Company's laser development and innovation of the light source, 4K display technology and patented MCLA™ composite laser optical architecture enable the overall imaging solution to provide products with long life, stability, ease of installation and a relatively friendly price point for solutions over 80 inches. This brings high-resolution, high-brightness and saturated color performance, as well as adopting strategic alliances and mergers and acquisitions to gradually enter the LED Wall video wall market to obtain technological trends and plan products that meet market demand.

- (VI) Changes to corporate image that impact the Company's risk management and response measures: None.
- (VII) The expected benefits and possible risks to engage in mergers and acquisitions (M&A): None.
- (VIII) Expected benefits and possible risks of the expansion of plants
The Company has adopted appropriate industry evaluation in 2018. In 2018, the Company adopted a stable operation strategy to expand its existing production capacity in order to meet customers' needs. The Company will continue to adopt the principle of steady and consistent adjustment in the future.
- (IX) Risks resulting from consolidation of purchasing or sales operations
The largest purchaser of the Company and its subsidiaries accounted for 14.98% of the total purchases in 2018. The major purchasers of 2018 were long-term partners with long-standing relationships. Therefore, the risk of purchase and sales is small. The Company and its subsidiaries did not have any sales and purchases to/from a single customer of which accounted for more than 10% of the sales ratio for the year 2018; therefore, showing no sales concentration.
- (X) Impact and risks resulted from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10 percent of the Company's shares: None.
- (XI) The impact on the Company, and risk due to changes in managerial authority: None.
- (XII) Litigation and non-litigation events
In 2018 and up to the date of this annual report, there is no litigation or non-litigation that has been decided or is still pending that has a significant impact on the shareholders' equity or the securities price.
- (XIII) Other material risks and response measures
The Company attaches great importance to information security. In addition to setting up comprehensive network and computer security protection, the Company has established a audit and training mechanism for the employees to implement network and computer security protection. Internet security attacks are changing with each passing day. In addition to relying on security equipment and software companies to update system functions, the Company engages in continuing research on data behavior and log collection for increasingly popular electronic devices including mobile phones, IOTs, and cloud service environments. .
The Company has a set of targets for information security. Through the establishment of the Information Security Committee structure, Coretronic group has achieved the goal of understanding and formulating a corresponding information security strategy and vision for all levels. The strategy is as follows:
1. Improve the security of IT system: Continuing to improve the infrastructure and building a comprehensive security network.
 2. Risk-oriented security protection: Critical information security protection is carried out for all facilities in response to external security threats.
 3. Safe and trustworthy security environment: Through the digital transformation of the enterprise and the introduction of new technologies such as AI, as well as raising the employees' security awareness, the Company will continue to improve the overall information security protection capabilities.

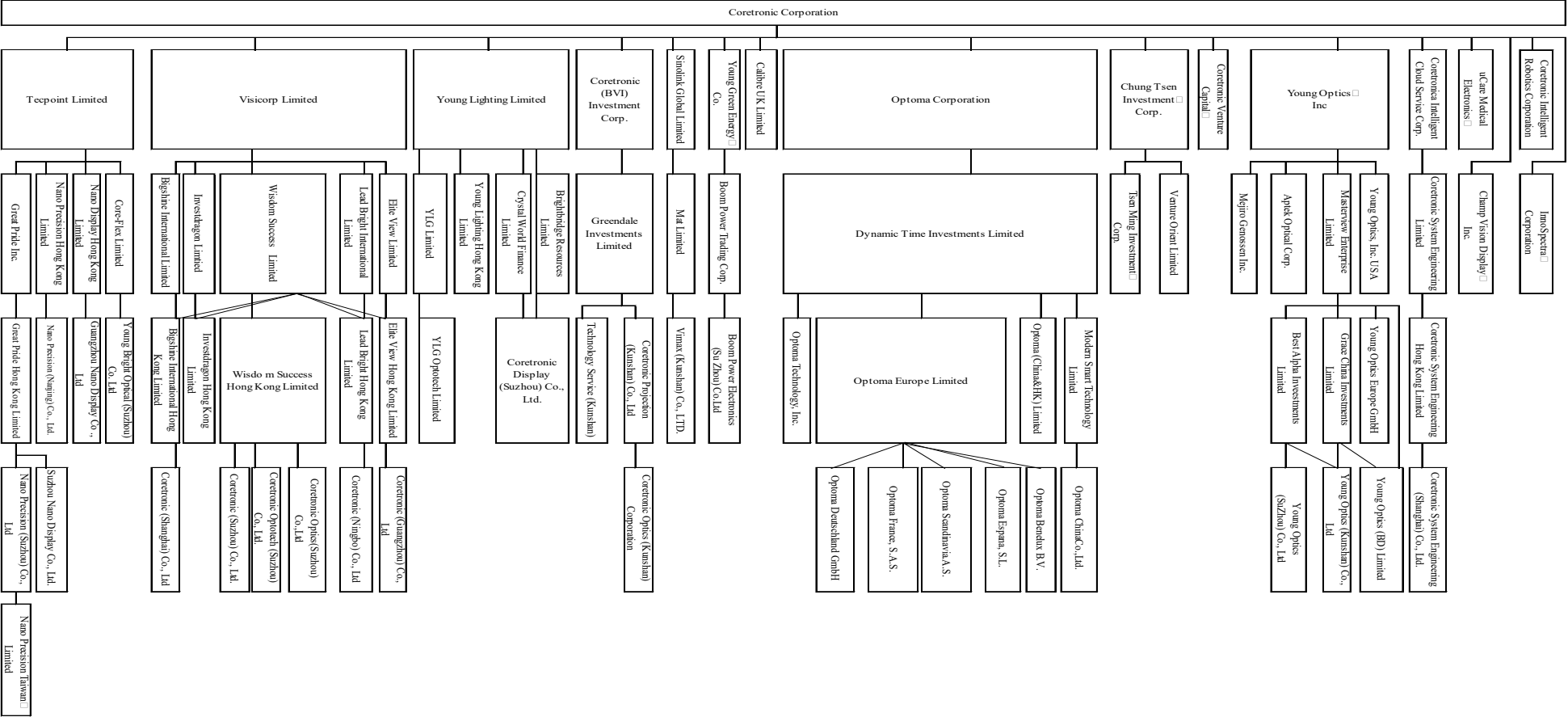
At the same time, the information security of the cloud era has to be enhanced. The architecture conforms to the cloud service trend and the smart factory's security environment to ensure the internal and cloud security certificates and build the environment required for the Group's operations and development.

VII. Other important items: None.

Chapter 8 Special Notes

I. Information on Affiliated companies (I) Consolidated Business Report 1. Organization chart of affiliated companies

December 31st, 2018



Note: The combined shareholding ratio for all affiliated companies is 100% with the exceptions of Young Optics Inc (44.11%), Aptek Optical Corp. (92.50%), Mejiro Genossen Inc. (99%), Young Optics Europe GmbH (75%), Young Green Energy Co. (99.91%), Core-Flex Limited (99.36%), YLG Limited (51%), uCare Medical Electronics Co., Ltd. (80%), CHAMP VISION DISPLAY INC. (80%), and InnoSpectra Corporation (80%).

2.Basic information of various affiliated businesses

December 31st, 2018

Company Name	Date of Incorporation	Address	Paid-in Capital	Primary operations or items produced
Tecpoint Limited	2004.01.08	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	US\$46,788,000	Holding company
Great Pride Inc.	2003.10.28	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$11,800,000	Holding company
Great Pride Hong Kong Limited	2008.12.15	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$11,000	Holding company
Nano Precision (Suzhou) Co., Ltd	2004.03.01	No. 69, Qunxing 3rd Road, Suzhou Industrial Park, Suzhou City	US\$13,300,000	Manufacture and sales of acrylic boards and reflectors
Nano Precision Taiwan., Ltd.	2018.10.29	No. 5, Wenhua Rd., Fengshan Village, Hukou Township, Hsinchu County	NT\$300,000,000	Design, manufacture and sales of lighting devices, electronic components, optical instruments
Suzhou Nano Display Co., Ltd.	2007.07.09	No. 68, Qunxing 3rd Road, Suzhou Industrial Park, Suzhou City	USD\$2,800,000	Research and development and manufacture of backlight modules related components, sales of the products produced and after-sales maintenance services
Nano Precision Hong Kong Limited	2008.05.02	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong	US\$6,800,000	Holding company
Nano Precision (Nanjing) Co., Ltd.	2008.06.27	No. 18, Yinlong Road, Economic and Technological Development Zone, Jiangning District, Nanjing, Jiangsu, China	US\$6,800,000	Manufacture and sales of acrylic boards and reflectors
Nano Display Hong Kong Limited	2008.04.11	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong	US\$7,800,000	Holding company
Guangzhou Nano Display Co., Ltd.	2008.06.27	The first floor of the first building, No. 2, Orchard 1st Road, North District, Guangzhou Economic and Technological Development Zone	US\$7,800,000	Research and development, processing and manufacture of LCD displays, sales of its products and provision of related services
Core-Flex Limited	2006.05.24	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, 1205 Cayman Islands	US\$36,000,000	Holding company
Young Bright Optical (Suzhou) Co. Ltd	2006.07.20	No. 69, Qunxing 3rd Road, Suzhou Industrial Park, Suzhou, Jiangsu	US\$36,000,000	Research and development, processing and manufacture of optical film products
Visicorp Limited	2002.01.18	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	US\$19,000	Holding company
Bigshine International Limited	2004.09.22	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$3,000	Holding company
Bigshine International Hong Kong Limited	2008.12.15	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$8,000	Holding company

Company Name	Date of Incorporation	Address	Paid-in Capital	Primary operations or items produced
Coretronic (Shanghai) Co., Ltd	2005.05.30	Bldg.E, Canyu Photovoltaic, No.68, Shanghai	US\$8,000,000	Research and development, manufacture of backlight modules and related components, sales of self-manufactured products and provision of after-sales maintenance services
Investdragon Limited	2005.04.18	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$3,000	Holding company
Investdragon Hong Kong Limited	2008.12.15	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$5,000	Holding company
Wisdom Success Limited	2002.01.02	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, 1205 Cayman Islands	US\$12,000	Holding company
Wisdom Success Hong Kong Limited	2008.12.15	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$18,000	Holding company
Coretronic (Suzhou) Co., Ltd.	2002.09.02	No. 68, Qunxing 3rd Road, Suzhou Industrial Park, Suzhou City	US\$20,000,000	Research and development, manufacture of backlight modules and related components, sales of self-manufactured products and provision of after-sales maintenance services
Coretronic Optotech (Suzhou) Co., Ltd.	2015.6.19	No.688, Pangjin Road, Wujiang Economic and Technological Development Zone, Suzhou City	US\$12,000,000	Research and development, production, processing of backlight modules, LCD modules, LCD TV Optical components such as new flat panel displays, selling products manufactured by the Company and providing after-sales maintenance services
Coretronic Optics (Suzhou) Co., Ltd	2017.11.23	No.688, Pangjin Road, Wujiang Economic and Technological Development Zone, Suzhou City	US\$10,000,000	Research and development, manufacture of backlight modules and related components, sales of self-manufactured products and provision of after-sales maintenance services
Lead Bright International Limited	2005.08.08	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$5,000	Holding company
Lead Bright Hong Kong Limited	2008.12.15	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$18,000	Holding company
Coretronic (Ningbo) Co., Ltd	2006.01.11	5 Guanshan Road, Beilun Export Processing Zone, Ningbo	US\$20,000,000	Research and development, manufacture of backlight modules and related components, sales of self-manufactured products and provision of after-sales maintenance services
Elite View Limited	2007.08.08	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$5,000	Holding company

Company Name	Date of Incorporation	Address	Paid-in Capital	Primary operations or items produced
Elite View Hong Kong Limited	2008.12.15	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$13,000	Holding company
Coretronic (Guangzhou) Co., Ltd	2007.11.27	1 Bldg 2 Guoyuan 1 Rd E Dist, Econ Tech Development Zone, Guangzhou	US\$13,000,000	Research and development, manufacture of backlight modules and related components, sales of self-manufactured products and provision of after-sales maintenance services
Young Lighting Limited	2010.03.08	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$3,907,000	Holding company
YLG Limited	2010.10.29	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$6,000,000	Holding company
YLG Optotech Limited	2011.01.24	2F, A Building, No.2, Guoyuan 1st Road, East Dist., Guangzhou Economic and Technological Development Zone	US\$6,000,000	Research and development, processing and manufacture of display parts and components, sales of self-manufactured products and after-sales services
Young Lighting Hong Kong Limited	2010.03.24	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$847,000	Holding company
Brightbridge Resources Limited	2009.03.26	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$29,500,000	Holding company
Crystal World Finance Limited	2001.09.21	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$22,258,000	Holding company
Coretronic Display (Suzhou) Co., Ltd.	2002.02.22	No.828, Pangjing Road, Wujiang Economic and Technology Development Zone, Jiangsu	US\$51,758,000	Research and development, and manufacture of panel modules and components, sales of self-manufactured products and after-sales services
Coretronic (BVI) Investment Corp.	2000.06.16	P.O. Box 3321, Road Town, Tortola, British Virgin Islands	US\$47,220,000	Holding company
Greendale Investments Limited	2005.02.02	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$46,000	Holding company
Technology Service (Kunshan)	2003.06.17	No. 20, Third Avenue, Kunshan Integrated Bonded Zone, Jiangsu Province	US\$400,000	Repair and technical services for LCD monitors
Coretronic Projection (Kunshan) Co., Ltd	2005.06.10	No. 20, Third Avenue, Kunshan Integrated Bonded Zone, Jiangsu Province	US\$46,000,000	Research and development, processing, manufacture and sales of digital projectors, LCD monitors and related components and after-sales maintenance services
Coretronic Optics (Kunshan) Corporation	2017.06.02	No. 18, Third Avenue, Kunshan Integrated Bonded Zone, Jiangsu Province	RMB 42,000,000	Production and sales of projectors and optoelectronic instruments
Sinolink Global Limited	2002.07.12	P.O. Box 3152, Road Town, Tortola, British Virgin	US\$1,000	Holding company

Company Name	Date of Incorporation	Address	Paid-in Capital	Primary operations or items produced
		Islands		
Mat Limited	2002.10.08	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$1,000	Holding company
Vimax (Kunshan) Co., LTD	2001.06.13	388 Sanjia Road, Zhangpu Town, Kunshan, Jiangsu	US\$1,800,000	Design, research and development and production of projectors, sales of self-manufactured products and provision of after-sales maintenance services for self-manufactured products and other products
Young Green Energy Co.	1999.12.14	No. 5, Wenhua Rd., Fengshan Village, Hukou Township, Hsinchu County	NT\$188,500,000	Manufacturing, wholesale and retailing of electronic parts, batteries, computer and peripheral devices and electronic materials
Boom Power Trading Corporation	2000.06.09	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	US\$1,000,000	Holding company
Boom Power Electronics (Su Zhou) Co.Ltd	2000.12.19	388 Sanjia Road, Zhangpu Town, Kunshan, Jiangsu	US\$1,000,000	Research and development, production, sales of cold-rolled diode drives and related products
Calibre UK Limited	1990.10.18	Cornwall House, Cornwall Terrace, Bradford, West Yorkshire, BD8 7JS	GBP 100,000	Research and development, design, manufacture and sales of image control products
Optoma Corporation	2002.01.09	12th floor, No. 231, Section 3, Beixin Road, Xindian District, New Taipei City	NT\$584,620,000	Manufacture, sales, product design and international trade of data storage and processing equipment, electronic components, optical equipment, wireless communication equipment
Dynamic Time Investments Limited	2002.01.02	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	US\$15,000	Holding company
Optoma Technology, Inc.	1995.05.31	47697 Westinghouse Drive Fremont, CA 94539, USA	US\$8,250,000	Marketing and after-sales services
Optoma Europe Limited	1997.07.07	1 Bourne End Mills, Hemel Hempstead, England, HP1 2UJ	GBP 1,200,000	Marketing and after-sales services
Optoma Deutschland GmbH	1997.10.07	WIESENSTRASSE 21, A1, D40549 Düsseldorf, Germany	EUR 958,000	Marketing and after-sales services
Optoma France, S.A.S.	2002.07.01	Batiment E, 81-83 Avenue Edouard Vaillant, Boulogne Billancourt, France 92100	EUR 100,000	Marketing and after-sales services
Optoma Scandinavia AS	2003.03.17	Kniveveien 29, Postboks 9515, 3036 Drammen, Norway	NOK 100,000	Marketing and after-sales services
Optoma Espana, S.L.	2008.06.05	C/ José Hierro, 36 Of. 1C, Edificio Atrio, 28522 Rivas	EUR 103,000	Marketing and after-sales services

Company Name	Date of Incorporation	Address	Paid-in Capital	Primary operations or items produced
		VaciaMadrid, Spain		
Optoma Benelux B.V.	2009.10.15	Europalaan 770-D, 1363 BM in Almere, The Netherlands	EUR 18,000	Marketing and after-sales services
Optoma (China & H.K.) Limited	1996.09.23	Unit A, 4/F., Reality Tower, 4 Sun On Street, Chai Wan, Hong Kong	HKD 2,400,000	Marketing and after-sales services
Modern Smart Technology Limited	2002.02.12	Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$1,200,000	Holding company
Optoma China Co.,Ltd.	2002.06.06	Room 302, Xin Kang Building, No. 28, Jia Feng Road Wai Gao Qiao Free Trade Zone, Shanghai 200131	US\$1,200,000	Marketing and after-sales services
Chung Tsen Investment Corp.	2002.12.11	No. 131-11, Toufen, Neighborhood 13, Toufen Vil., Miaoli City	NT\$1,270,997,000	The Group's strategic alliance and investment activities
Tsen Ming Investment Corp.	2005.11.09	No. 131-11, Toufen, Neighborhood 13, Toufen Vil., Miaoli City	NT\$324,432,000	The Group's strategic alliance and investment activities
Venture Orient Limited	2002.10.18	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$6,000	Holding company
Coretronic Venture Capital Co., Ltd.	2011.03.02	No. 131-11, Toufen, Neighborhood 13, Toufen Vil., Miaoli City	NT\$300,000,000	Investment activities related to the Company's business expansion
Young Optics Inc	2002.02.18	No. 7, Hsin Ann Rd, East District, Hsinchu City	NT\$1,140,598,000	Manufacture, sales and research and development of electronic parts and optical instruments
Mejiro Genossen Inc.	2016.06.24	2-chome-10-12 AkatsukashinmachiItabashi City, Tokyo-to	JPY 650,000,000	Research and development, manufacture and sales of optical instruments
Aptek Optical Corp.	2004.07.22	No. 5, Wenhua Road, Hukou Township, Hsinchu County	NT\$100,000,000	Manufacture and trading of optical instruments and electronic components
Best Alpha Investments Limited	2003.01.08	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$1,000,000	Holding company
Young Optics (SuZhou) Co., Ltd	2003.09.03	No. 68, Qunxing 3rd Road, Suzhou Industrial Park, Suzhou, Jiangsu	US\$1,000,000	Research and development, manufacture of optical engines and relevant optical electronic equipment
Masterview Enterprises Limited	2003.07.01	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	US\$6,000,000	Holding company
Grace China Investments Limited	2001.02.02	P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman , KY-1205 Cayman	US\$8,156,000	Holding company

Company Name	Date of Incorporation	Address	Paid-in Capital	Primary operations or items produced
		Islands		
Young Optics (Kunshan) Co.,Ltd	2001.04.26	No. 20, Third Avenue, Kunshan Integrated Bonded Zone, Jiangsu Province	US\$22,200,000	Research and development, manufacture of optical engines and relevant optical electronic equipment
Young Optics Inc. USA	2005.10.31	20651 Golden Springs DR., #328,Diamond Bar, CA 91789, USA	US\$50,000	Operational and maintenance services business
Young Optics Europe GmbH	2015.04.02	Heimstättenstr. 24, D-07749 Jena, Germany	EUR 25,000	Manufacture and Sales of 3D printers
Young Optics (BD) Limited	2011.12.12	Plot#104, 105, 124 & 125, DEPZ (Extension Area) Ashulia,Savar-1349, Dhaka, Bangladesh	BDT 159,997,000	Manufacture of optical components
Coretronic Intelligent Cloud Service Corp.	2010.04.15	No. 5, Wenhua Road, Hukou Township, Hsinchu County	NT\$150,000,000	Development of smart applications and platforms in cloud, IT and new media
Coretronic System Engineering Limited	2010.05.04	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$1,500,000	Holding company
Coretronic System Engineering Hong Kong Limited	2010.05.11	1004 AXA Centre, 151 Gloucenser Road, Wan Chai, Hong Kong	US\$1,500,000	Holding company
Coretronic System Engineering (Shanghai) Co., Ltd.	2010.09.01	Room 502, 5th Floor, Building 1, 1205 Kaixuan Road, Changning District, Shanghai	US\$1,500,000	Undertaking intelligent building projects in the form of professional engineering construction contracting and providing relevant supporting measures
uCare Medical Electronics Co., Ltd.	2017.06.09	3rd floor, No. 2, Kebei 5th Road, Jhunan Town, Miaoli County, Hsinchu Science and Technology Park	NT\$100,000,000	Research and development, design, manufacture and sales of hardware and software system products relevant to smart sports
CHAMP VISION DISPLAY INC.	2017.07.11	3rd floor, No. 2, Kebei 5th Road, Jhunan Town, Miaoli County, Hsinchu Science and Technology Park	NT\$180,000,000	Research and development, design, manufacture and sales of innovative smart display products and software and hardware solutions
Coretronic Intelligent Robotics Corporation	2017.11.10	4th Floor, No. 11, Li Hsing Road, Science and Technology Park, Hsinchu City	NT\$60,000,000	The research and development, manufacture and sales of unmanned aerial carrier carriers and smart robots
InnoSpectra Corporation	2017.12.01	4th Floor, No. 11, Li Hsing Road, Science and Technology Park, Hsinchu City	NT\$60,000,000	Research and development and sales of optical spectrum related products and solutions

3.For those who are concluded as the existence of the controlling and subordinate relation, the information of the same shareholders: None.

4.Overall business scope of every affiliated businesses

The Company and its affiliated companies are engaged in business covering the “Backlight Module Business” and “Projector Business.” Some affiliated companies are engaged in “Investment” and “Intelligent Solutions”. The aim is creating the greatest synergy through mutual support of technology, capacity, and marketing and services, which will enable the Company to continue to improve in the industries and maintain its leading position in the global market.

5.Information of directors, supervisors and Presidents in all affiliated companies:

December 31st, 2018

Company Name	Job Title	Name or representative	When Elected	
			Number of Shares	Shareholding Percentage
Tecpoint Limited	Director	Wade Chang (Representative of the Company)	36,522,900	78.06%
Great Pride Inc.	Director	Wade Chang (Representative of Tecpoint Limited)	11,800,000	100.00%
Great Pride Hong Kong Limited	Director	Wade Chang (Representative of Great Pride Inc.)	11,800	100.00%
Nano Precision (Suzhou) Co., Ltd	Director	Ken Wang (Representative of Great Pride Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Great Pride Hong Kong Limited)	—	100.00%
Nano Precision Taiwan., Ltd.	Director	Fleming Chuang (Representative of Nano Precision (Suzhou) Co., Ltd)	—	100.00%
	Director	Ken Wang (Representative of Nano Precision (Suzhou) Co., Ltd)	—	100.00%
	Director	Franck Ho (Representative of Nano Precision (Suzhou) Co., Ltd)	—	100.00%
	Supervisor	Max Lee (Representative of Nano Precision (Suzhou) Co., Ltd)	—	100.00%
Suzhou Nano Display Co., Ltd.	Director	Dino Wang (Representative of Great Pride Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Great Pride Hong Kong Limited)	—	100.00%
Nano Precision Hong Kong Limited	Director	Sarah Lin (Representative of Tecpoint Limited)	6,800,000	100.00%
Nano Precision (Nanjing) Co., Ltd.	Director	Ken Wang (Representative of Nano Precision Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Nano Precision Hong Kong Limited)	—	100.00%
Nano Display Hong Kong Limited	Director	Sarah Lin (Representative of Tecpoint Limited)	7,800,000	100.00%
Guangzhou Nano Display Co., Ltd.	Director	Dino Wang (Representative of Nano Display Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Nano Display Hong Kong Limited)	—	100.00%
Core-Flex Limited	Director	Sarah Lin (Representative of Tecpoint Limited)	213,260,000	94.36%
Young Bright Optical (Suzhou) Co. Ltd	Director	Dino Wang (Representative of Core-Flex Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Core-Flex Limited)	—	100.00%
Visicorp Limited	Director	Wade Chang (Representative of the Company)	18,700	100.00%
Bigshine International Limited	Director	Sarah Lin (Representative of Visicorp Limited)	3,000	100.00%
Bigshine International Hong Kong Limited	Director	Sarah Lin (Representative of Bigshine International Limited)	3,000	37.50%

Company Name	Job Title	Name or representative	When Elected	
			Number of Shares	Shareholding Percentage
Coretronic (Shanghai) Co., Ltd	Chairman Supervisor	Sara Lin (Representative of Bigshine International Hong Kong Limited)	—	100.00%
		Franck Ho (Representative of Bigshine International Hong Kong Limited)	—	100.00%
Investdragon Limited	Director	Sarah Lin (Representative of Visicorp Limited)	3,000	100.00%
Investdragon Hong Kong Limited	Director	Sarah Lin (Representative of Investdragon Limited)	3,000	60.00%
Wisdom Success Limited	Director	Wade Chang (Representative of Visicorp Limited)	11,750	100.00%
Wisdom Success Hong Kong Limited	Director	Wade Chang (Representative of Wisdom Success Limited)	18,000	100.00%
Coretronic (Suzhou) Co., Ltd.	Director Supervisor	Dino Wang (Representative of Wisdom Success Limited)	—	100.00%
		Franck Ho (Representative of Wisdom Success Limited)	—	100.00%
Coretronic Optotech (Suzhou) Co., Ltd.	Director Supervisor	Dino Wang (Representative of Wisdom Success Limited)	—	100.00%
		Franck Ho (Representative of Wisdom Success Limited)	—	100.00%
Coretronic Optics (Suzhou) Co.,Ltd	Director Supervisor	CY Lin (Representative of Wisdom Success Limited)	—	100.00%
		Franck Ho (Representative of Wisdom Success Limited)	—	100.00%
Lead Bright International Limited	Director	Sarah Lin (Representative of Visicorp Limited)	4,700	100.00%
Lead Bright Hong Kong Limited	Director	Sarah Lin (Representative of Lead Bright International Limited)	4,700	26.11%
Coretronic (Ningbo) Co., Ltd	Director Supervisor	Dino Wang (Representative of Lead Bright Hong Kong International Limited)	—	100.00%
		Franck Ho (Representative of Lead Bright Hong Kong International Limited)	—	100.00%
Elite View Limited	Director	Sarah Lin (Representative of Visicorp Limited)	5,000	100.00%
Elite View Hong Kong Limited	Director	Sarah Lin (Representative of Elite View Limited)	5,000	38.46%
Coretronic (Guangzhou) Co., Ltd	Director Supervisor	Dino Wang (Representative of Elite View Hong Kong Limited)	—	100.00%
		Franck Ho (Representative of Elite View Hong Kong Limited)	—	100.00%
Young Lighting Limited	Director	Sarah Lin (Representative of Coretronic)	3,907,000	100.00%
YLG Limited	Director	Sarah Lin (Representative of Young Lighting Limited)	3,060,000	51.00%
	Director	Edward Lin (Representative of Young Lighting Limited)	3,060,000	51.00%
	Director	Franck Ho (Representative of Young Lighting Limited)	3,060,000	51.00%
YLG Optotech Limited	Director	Sarah Lin (Representative of YLG Limited)	—	100.00%
	Director	Edward Lin (Representative of YLG Limited)	—	100.00%
	Director	Franck Ho (Representative of YLG Limited)	—	100.00%
	Supervisor	Max Lee (Representative of YLG Limited)	—	100.00%
Young Lighting Hong Kong Limited	Director	Sarah Lin (Representative of Young Lighting Limited)	847	100.00%
Brightbridge Resources Limited	Director	Sarah Lin (Representative of Wisdom Success Limited)	29,500,000	100.00%
Crystal World Finance Limited	Director	Sarah Lin (Representative of Wisdom Success Limited)	22,258,000	100.00%
Coretronic Display (Suzhou) Co., Ltd.	Director Supervisor	Dino Wang (Representative of Brightbridge Resources and Crystal World Finance)	—	100.00%
		Franck Ho (Representative of Brightbridge Resources and Crystal World Finance)	—	100.00%

Company Name	Job Title	Name or representative	When Elected	
			Number of Shares	Shareholding Percentage
		Finance)		
Coretronic (BVI) investment Corp.	Director	Wade Chang (Representative of the Company)	47,220,000	100.00%
Greendale Investments Limited	Director	Wade Chang (Representative of Coretronic (BVI) Investment Corp.)	46,400	100.00%
Technology Service (Kunshan) Co., Ltd	Director	Yu-nu Lin (Representative of Greendale Investments Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Greendale Investments Limited)	—	100.00%
Coretronic Projection (Kunshan) Co., Ltd	Director	Vincent Lin (Representative of Greendale Investments Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Greendale Investments Limited)	—	100.00%
Coretronic Optics (Kunshan) Corporation	Director	Vincent Lin (Representative of Coretronic Projection (Kunshan) Co., Ltd)	—	100.00%
	Supervisor	Franck Ho (Representative of Coretronic Projection (Kunshan) Co., Ltd)	—	100.00%
Sinolink Global Limited	Director	Wade Chang (Representative of the Company)	980	100.00%
Mat Limited	Director	SY Chen (Representative of Sinolink Global Limited)	980	100.00%
Vimax (Kunshan) Co., LTD	Director	Yu-nu Lin (Representative of Mat Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Mat Limited)	—	100.00%
Young Green Energy Co.	Chairman	SY Chen (Representative of the Company)	18,833,220	99.91%
	Director	Wilson Hsu (Representative of the Company)	18,833,220	99.91%
	Director	Fred Huang (Representative of the Company)	18,833,220	99.91%
	Supervisor	Franck Ho	18,833,220	99.91%
	President	SY Chen	—	—
Boom Power Trading Corporation	Director	SY Chen (Representative of Young Green Energy Co.)	10,000	100.00%
Boom Power Electronics (SuZhou) Co.Ltd	Director	Wilson Hsu (Representative of Boom Power Trading Corporation)	—	100.00%
	Supervisor	Franck Ho (Representative of Boom Power Trading Corporation)	—	100.00%
Calibre UK Ltd.	Director	SY Chen (Representative of the Company)	101,042	100.00%
	Director	Peter Fosh (Representative of the Company)	101,042	100.00%
Optoma Corporation	Chairman	SY Chen (Representative of the Company)	58,462,000	100.00%
	Director	Wade Chang (Representative of the Company)	58,462,000	100.00%
	Director	Ann Wu (Representative of the Company)	58,462,000	100.00%
	Supervisor	Franck Ho (Representative of the Company))	58,462,000	100.00%
	President	Ann Wu	—	—
Dynamic Time Investments Limited	Director	Ann Wu (Representative of Optoma Corporation)	14,856	100.00%
Optoma Technology, Inc.	Executive	Ann Wu (Representative of Dynamic Time Investments Ltd.)	825,000	100.00%
	Director	Blank (Representative of Dynamic Time Investments Ltd.)	825,000	100.00%
	Director	SY Chen (Representative of Dynamic Time Investments Ltd.)	825,000	100.00%
	Director			
Optoma Europe Ltd.	Executive	Thierry Millet (Representative of Dynamic Time Investments Ltd.)	1,200,000	100.00%
	Director	Wade Chang (Representative of Dynamic Time Investments Ltd.)	1,200,000	100.00%

Company Name	Job Title	Name or representative	When Elected	
			Number of Shares	Shareholding Percentage
	Director	Ann Wu (Representative of Dynamic Time Investments Ltd.)	1,200,000	100.00%
	Director	SY Chen (Representative of Dynamic Time Investments Ltd.)	1,200,000	100.00%
Optoma Deutschland GmbH	Executive	SY Chen (Representative of Optoma Europe Limited)	—	100.00%
	Director	Thierry Millet (Representative of Optoma Europe Limited)	—	100.00%
Optoma France, S.A.S.	Executive	Thierry Millet (Representative of Optoma Europe Limited)	—	100.00%
Optoma Scandinavia AS	Executive	Thierry Millet (Representative of Optoma Europe Limited)	100	100.00%
	Director	Ann Wu (Representative of Optoma Europe Ltd.)	100	100.00%
Optoma Espana, S.L.	Executive	SY Chen (Representative of Optoma Europe Limited)	5,150,280	100.00%
	Director	Thierry Millet (Representative of Optoma Europe Limited)	5,150,280	100.00%
Optoma Benelux B.V.	Executive	Thierry Millet (Representative of Optoma Europe Limited)	18,000	100.00%
	Director	SY Chen (Representative of Optoma Europe Limited)	18,000	100.00%
Optoma (China & H.K.) Limited	Director	Ann Wu (Representative of Dynamic Time Investments Ltd.)	2,400,000	100.00%
Mordern Smart Technology Ltd.	Director	Ann Wu (Representative of Dynamic Time Investments Ltd.)	1,200,000	100.00%
Optoma China Co.,Ltd.	Director	Andy Hsin (Representative of Modern Smart Technology Ltd.)	—	100.00%
Chung Tsen Investment Corp.	Chairman	Fred Huang (Representative of the Company)	127,099,664	100.00%
	Director	Wade Chang (Representative of the Company)	127,099,664	100.00%
	Director	SY Chen (Representative of the Company)	127,099,664	100.00%
	Supervisor	Franck Ho (Representative of the Company))	127,099,664	100.00%
	President	Robert Hsueh	—	—
Tsen Ming Investment Corp.	Chairman	SY Chen (Representative of Chung Tsen Investment Corp.)	32,443,180	100.00%
	Director	Sarah Lin (Representative of Chung Tsen Investment Corp.)	32,443,180	100.00%
	Director	Franck Ho (Representative of Chung Tsen Investment Corp.)	32,443,180	100.00%
	Supervisor	Max Lee (Representative of Chung Tsen Investment Corp.)	32,443,180	100.00%
	President	Robert Hsueh	—	—
Venture Orient Limited	Director	Franck Ho (Representative of Chung Tsen Investment Corp.)	5,550	100.00%
Coretronic Venture Capital Co., Ltd.	Chairman	Wade Chang (Representative of the Company)	30,000,000	100.00%
	Director	SY Chen (Representative of the Company)	30,000,000	100.00%
	Director	Fred Huang (Representative of the Company)	30,000,000	100.00%
	Supervisor	Franck Ho (Representative of the Company))	30,000,000	100.00%
	President	Fleming Chuang	—	—
Young Optics Inc	Chairman	Fred Huang (Representative of the Company)	0	0%
	Director	Max Lee (Representative of the Company)	43,072,586	37.76%
	Director	Fleming Chuang (Representative of Tsen Ming Investment Corp.)	2,708,886	2.37%
	Director	Teddy Chuang (Representative of Chung Tsen Investment Corp.)	4,528,317	3.97%

Company Name	Job Title	Name or representative	When Elected	
			Number of Shares	Shareholding Percentage
	Independent Director	Han-Ping Hsieh	0	0.00%
	Independent Director	Frank Hong	0	0.00%
	Independent Director	Hsiang-hsun Wu	0	0.00%
	President	Claude Hsu	348,608	0.31%
Mejiro Genossen Inc.	President	Fong-Yu Chen	30	1.00%
APTEK OPTICAL CORP.	Chairman	Claude Hsu (Representative of Young Optics (SuZhou) Co., Ltd)	9,250,000	92.50%
	Director	Fred Huang (Representative of Young Optics (SuZhou) Co., Ltd)	9,250,000	92.50%
	Director	Chi Chiu Hsien (Representative of Young Optics (SuZhou) Co., Ltd)	9,250,000	92.50%
	Supervisor	Cynthia Chang	6,000	0.06%
Best Alpha Investments Limited	Director	Fred Huang (Representative of Masterview Enterprises Limited)	1,000,000	100.00%
Young Optics (SuZhou) Co., Ltd	Director	Claude Hsu (Representative of Best Alpha Investments Limited)	—	100.00%
	Supervisor	Cynthia Chang	—	—
	President	Sam Tseng	—	—
Masterview Enterprises Limited	Director	Fred Huang (Representative of Young Optics (SuZhou) Co., Ltd)	6,000,000	100.00%
Grace China Investments Limited	Director	Fred Huang (Representative of Masterview Enterprises Limited)	8,156,458	100.00%
Young Optics (Kunshan) Co.,Ltd	Executive Director	Claude Hsu (Representative of Grace China Investments Limited)	—	75.45%
	Supervisor	Cynthia Chang	—	—
	President	Sam Tseng	—	—
Young Optics Inc. USA	Director	Fred Huang (Representative of Young Optics (SuZhou) Co., Ltd)	50,000	100.00%
	Director	Claude Hsu (Representative of Young Optics (SuZhou) Co., Ltd)	50,000	100.00%
	Director	Cynthia Chang (Representative of Young Optics (SuZhou) Co., Ltd)	50,000	100.00%
Young Optics Europe GmbH	—	Masterview Enterprises Limited	—	75.00%
	Executive Director	Uwe Carsten Brick	—	25.00%
Young Optics (BD) Limited	Director	Juice Liao (Representative of Masterview Enterprises Limited)	799,985	50.00%
	Executive Director	Sam Tseng (Representative of Grace China Investments Limited)	799,985	50.00%
Coretronic Intelligent Cloud Sercive Corp.	Chairman	SY Chen (Representative of the Company)	15,000,000	100.00%
	Director	Yu-nu Lin (Representative of the Company)	15,000,000	100.00%
	Director	Franck Ho (Representative of the Company))	15,000,000	100.00%
	Supervisor	Max Lee (Representative of the Company)	15,000,000	100.00%
	President	Yu-nu Lin	—	—
Coretronic System Engineering Limited	Director	Yu-nu Lin (Representative of Coretronic System Engineering Corporation)	1,500,000	100.00%
Coretronic System Engineering Hong Kong Limited	Director	Yu-nu lin (Representative of Coretronic System Engineering Limited)	1,500,000	100.00%

Company Name	Job Title	Name or representative	When Elected	
			Number of Shares	Shareholding Percentage
Coretronic System Engineering (Shanghai) Co., Ltd.	Director Supervisor	Yu-Nu Lin (Representative of Coretronic System Engineering Hong Kong Limited)	—	100.00%
		Franck Ho (Representative of Coretronic System Engineering Hong Kong Limited)	—	100.00%
uCare Medical Electronics Co., Ltd.	Chairman	Sarah Lin (Representative of the Company)	8,000,000	80.00%
	Director	Paul Kang (Representative of the Company)	8,000,000	80.00%
	Director	Franck Ho (Representative of the Company)	8,000,000	80.00%
	Supervisor	Max Lee (Representative of the Company)	—	—
Champ Vision Display Inc.	Chairman	Sarah Lin (Representative of the Company)	14,400,000	80.00%
	Director	Nick Lu (Representative of the Company)	14,400,000	80.00%
	Director	Franck Ho (Representative of the Company)	14,400,000	80.00%
	Supervisor	Max Lee (Representative of the Company)	—	—
Coretronic Intelligent Robotics Corporation	Chairman	SY Chen (Representative of the Company)	6,000,000	100.00%
	Director	Robert Hsueh (Representative of the Company)	6,000,000	100.00%
	Director	Franck Ho (Representative of the Company)	6,000,000	100.00%
	Supervisor	Max Lee (Representative of the Company)	6,000,000	100.00%
InnoSpectra Corporation	Chairman	Fleming Chuang (Representative of the Company)	4,800,000	80.00%
	Director	William Hsu (Representative of the Company)	4,800,000	80.00%
	Director	Franck Ho (Representative of the Company)	4,800,000	80.00%
	Supervisor	Max Lee (Representative of the Company)	—	—

(II)Operational Highlights of Affiliated Companies

1.Financial status and operating results of affiliated companies

December 31st, 2018 Unit: NT\$1,000

Company Name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	current profit and loss
Tecpoint Limited	1,437,090	3,301,704	0	3,301,704	0	0	341,069
Great Pride Inc.	362,437	2,418,418	0	2,418,418	0	0	281,323
Great Pride Hong Kong Limited	362	2,513,280	129,824	2,383,456	327,132	0	280,808
Nano Precision (Suzhou) Co., Ltd	408,510	2,540,589	245,590	2,294,999	1,562,649	223,525	265,862
Nano Precision Taiwan., Ltd.	300,000	299,929	21	299,907	0	(232)	(93)
Suzhou Nano Display Co., Ltd.	86,002	173,559	71,455	102,104	205,494	(2,653)	4,513
Nano Precision Hong Kong Limited	208,862	208,707	0	208,707	0	0	6,211
Nano Precision (Nanjing) Co., Ltd.	208,862	213,903	2,694	211,209	0	(2,182)	6,108
Nano Display Hong Kong Limited	239,577	456,636	0	456,636	0	0	40,952
Guangzhou Nano Display Co., Ltd.	239,577	560,281	102,339	457,942	395,958	34,682	40,952
Core-Flex Limited	1,105,740	366,588	132,133	234,455	0	0	13,225
Young Bright Optical (Suzhou) Co. Ltd	1,105,740	402,288	38,279	364,009	148,527	3,210	13,211
Visicorp Limited	574	11,009,236	0	11,009,236	0	0	841,121
Bigshine International Limited	92	336,324	0	336,324	0	(21,537)	(20,681)
Bigshine International Hong Kong Limited	246	690,466	0	690,466	0	0	(14,246)
Coretronic (Shanghai) Co., Ltd	245,720	327,482	2,951	324,531	0	(6,050)	(17,864)
Investdragon Limited	92	72,521	0	72,521	0	0	235
Investdragon Hong Kong Limited	154	120,519	0	120,519	0	(1)	390
Wisdom Success Limited	361	10,910,402	2,045,115	8,865,287	7,025,376	0	756,207
Wisdom Success Hong Kong Limited	553	5,141,381	33,523	5,107,858	160,106	(5,410)	624,584
Coretronic (Suzhou) Co., Ltd.	614,300	9,937,227	5,934,849	4,002,378	11,919,444	598,277	530,826
Coretronic Optotech (Suzhou) Co., Ltd.	368,580	2,581,153	1,795,989	785,164	2,071,399	123,999	86,220
Coretronic Optics (Suzhou) Co.,Ltd	307,150	321,203	17,985	303,218	0	(188)	11,020
Lead Bright International Limited	144	902,869	0	902,869	0	0	30,496
Lead Bright Hong Kong Limited	553	3,473,551	15,615	3,457,936	682,086	0	116,798
Coretronic (Ningbo) Co., Ltd	614,300	3,712,590	400,322	3,312,268	1,453,895	83,604	116,324
Elite View Limited	154	432,471	0	432,471	0	0	33,568
Elite View Hong Kong Limited	399	1,124,817	355	1,124,462	1,215	0	87,281
Coretronic (Guangzhou) Co., Ltd	399,295	1,388,379	260,820	1,127,559	875,085	55,590	87,281
Young Lighting Limited	120,004	0	292,701	(292,700)	0	0	164,919
YLG Limited	184,290	15,302	0	15,302	0	0	9,220
YLG Optotech Limited	184,290	628,397	613,127	15,270	1,439,334	26,971	9,220
Young Lighting Hong Kong Limited	26,016	7,198	0	7,198	0	0	152

Company Name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	current profit and loss
Brightbridge Resources Limited	906,093	0	176,463	(176,463)	0	0	91,231
Crystal World Finance Limited	683,654	0	131,245	(131,245)	0	0	68,834
Coretronic Display (Suzhou) Co., Ltd.	1,589,747	2,259,335	2,564,436	(305,101)	5,334,813	187,165	160,077
Coretronic (BVI) Investment Corp.	14,504	5,258,130	13,147	5,244,983	0	0	443,909
Greendale Investments Limited	1,425	8,969,355	3,711,820	5,257,535	0	0	443,907
Technology Service (Kunshan) Co., Ltd	12,286	28,069	6,317	21,752	39,918	1,722	2,056
Coretronic Projection (Kunshan) Co., Ltd	1,412,890	8,415,075	3,626,927	4,788,148	19,301,169	469,556	438,222
Coretronic Optics (Kunshan) Corporation	187,964	2,701,453	2,382,983	318,470	10,734,040	152,439	91,199
Sinolink Global Limited	30	1,224,050	0	1,224,050	0	0	55,458
Mat Limited	30	1,224,038	0	1,224,038	0	(6,508)	55,458
Vimax (Kunshan) Co., LTD	55,287	1,306,335	102,967	1,203,368	151,877	20,829	61,641
Young Green Energy Co.	188,500	254,260	29,125	225,135	58,686	2,845	21,977
Boom Power Trading Corp.	30,715	98,685	71	98,613	0	0	15,912
Boom Power Electronics (Su Zhou) Co.Ltd	30,715	104,454	5,860	98,594	69,137	18,265	15,912
Calibre UK Limited	3,892	99,625	111,022	(11,397)	33,596	(32,833)	(34,611)
Optoma Corporation	584,620	4,397,241	3,414,304	982,937	6,819,999	140,784	296,031
Dynamic Time Investments Limited	456	1,899,346	0	1,899,346	0	(4,918)	158,168
Optoma Technology,Inc.	253,399	1,690,413	1,531,067	159,346	2,583,362	16,463	1,972
Optoma Europe Ltd.	46,655	2,277,956	1,438,600	839,356	4,711,953	169,742	150,070
Optoma Deutschland GmbH	33,722	132,659	60,101	72,558	691,588	50,247	35,358
Optoma France, S.A.S.	3,520	68,191	56,360	11,831	89,140	5,136	4,512
Optoma Scandinavia.A.S.	321	11,730	3,377	8,352	25,313	1,948	2,176
Optoma Espana,S.L.	3,626	19,696	3,006	16,690	27,792	5,273	3,801
Optoma Benelux B.V.	634	15,851	2,353	13,498	32,334	3,151	2,643
Optoma (China & H.K.) Limited	9,414	19,519	8,861	10,658	34,664	(1,243)	(1,143)
Mordern Smart Technology Ltd.	36,858	136,675	0	136,675	0	(65)	8,689
Optoma China Co.,Ltd.	36,858	949,935	855,907	94,028	1,673,556	15,155	8,506
Chung Tsen Investment Corp.	1,270,997	1,422,074	3,851	1,418,224	0	(76)	48,230
Tsen Ming Investment Corp.	324,432	378,675	3,994	374,681	0	(66)	3,007
Venture Orient Limited	170	486,264	0	486,264	0	(1)	40,370
Coretronic Venture Capital Co., Ltd.	300,000	301,893	364	301,529	0	(53)	2,292
Young Optics Inc	1,140,598	5,743,578	2,220,804	3,522,774	5,572,018	126,759	179,351
Mejiro Genossen Inc.	18,083	74,110	35,574	38,536	127,198	1,619	7,617
Aptek Optical Corp.	100,000	245,842	154,879	90,963	567,768	8,751	10,717
Best Alpha Investments Limited	30,715	659,884	0	659,884	0	(13)	47,465
Young Optics (SuZhou) Co., Ltd	30,715	444,451	113,636	330,815	394,667	26,688	31,021
Masterview Enterprises Limited	184,290	1,877,649	0	1,877,649	0	(59)	40,067

Company Name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	current profit and loss
Grace China Investments Limited	250,526	2,209,417	1,090,416	1,119,001	3,754,445	(122)	23,558
Young Optics (Kunshan) Co.,Ltd	681,873	1,858,617	518,289	1,340,328	3,772,038	41,844	67,038
Young Optics Europe Gmbh	880	7,186	2,738	4,448	20,660	555	(273)
Young Optics (BD) Limited	58,574	608,536	719,703	(111,167)	384,278	(41,712)	(54,321)
Young Optics Inc.USA	1,536	211	0	211	0	(106)	(129)
Coretronic Intelligent Cloud Sercive Corp.	150,000	208,834	45,328	163,506	155,762	(1,635)	18,322
Coretronic System Engineering Limited	46,073	9,433	0	9,433	0	0	16,878
Coretronic System Engineering Hong Kong Limited	46,073	9,433	0	9,433	0	0	16,878
Coretronic System Engineering (Shanghai) Co., Ltd.	46,073	106,984	97,551	9,433	62,861	19,322	16,878
uCare Medical Electronics Co., Ltd.	100,000	71,840	8,554	63,286	10,276	(26,656)	(27,787)
Champ Vision Display Inc.	180,000	951,516	783,575	167,941	2,486,456	13,110	9,064
Coretronic Intelligent Robotics Corporation	60,000	42,968	15,349	27,619	14,149	(36,734)	(32,297)
InnoSpectra Corporation	60,000	49,785	6,437	43,348	14,655	(17,029)	(16,638)

2. Consolidated financial statements of affiliated companies: Please refer to page131.

(III) Affiliation Report: Not applicable.

II. Private placement of securities of the most recent year up to the publication date of this annual report: None.

III. Holding or disposal of company shares by subsidiaries in the most recent year up to the publication date of this annual report : None.

IV. Other Necessary Supplements:

(I) Review of the implementation of resolutions of the Shareholders' Meeting in 2018:

1. Approved the 2017 Business Report and Financial Statements

2. Approved the Earnings Distribution Proposal for 2017.

Implementation: The base date for the distribution of the dividend was set on July 18th, 2018, and the date of issuance on August 8th, 2018.

(Cash dividend per share: NT\$2.5)

3. Approved the issuance of cash with capital surplus.

Implementation: The base date for the distribution of the cash was set on July 18th, 2018, and the date of issuance on August 8th, 2018.

(Cash per share: NT\$ 0.5)

(II) Above-mentioned commitments the Company has not completed as of the publication date of this annual report: None.

Chapter 9 Any event in the most recent year and as of the date of this annual report that had material impacts on the shareholders' equity or securities prices as prescribed in Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act: None.

IV. Financial report for the most recent year

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Coretronic Corporation as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Coretronic Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

CORETRONIC CORPORATION

By

Wade Chang
Chairman

January 28, 2019



安永聯合會計師事務所

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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		<u>39,983,296</u>	<u>83.23</u>	<u>43,944,704</u>	<u>84.48</u>
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		<u>8,053,909</u>	<u>16.77</u>	<u>8,074,305</u>	<u>15.52</u>
Total assets		<u>\$ 48,037,205</u>	<u>100.00</u>	<u>\$ 52,019,009</u>	<u>100.00</u>

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
CORETRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of 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		<u>23,195,844</u>	<u>48.28</u>	<u>27,747,440</u>	<u>53.34</u>
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		<u>575,708</u>	<u>1.20</u>	<u>724,908</u>	<u>1.40</u>
Total liabilities		<u>23,771,552</u>	<u>49.48</u>	<u>28,472,348</u>	<u>54.74</u>
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		<u>15,401,992</u>	<u>32.07</u>	<u>14,288,274</u>	<u>27.46</u>
Other equity		<u>(1,613,818)</u>	<u>(3.36)</u>	<u>(1,192,827)</u>	<u>(2.29)</u>
Total equity attributable to owners of the parent		<u>22,205,213</u>	<u>46.23</u>	<u>21,532,101</u>	<u>41.39</u>
Non-controlling interests	4, 6(18)	2,060,440	4.29	2,014,560	3.87
Total equity		<u>24,265,653</u>	<u>50.52</u>	<u>23,546,661</u>	<u>45.26</u>
Total liabilities and equity		<u>\$ 48,037,205</u>	<u>100.00</u>	<u>\$ 52,019,009</u>	<u>100.00</u>

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	
	Retained earnings					Other equity							
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earning	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income(loss)	Unrealized gains or losses from available-for-sale financial assets	Effective hedging instrument from cash flow hedge	Gains or losses from hedging instruments			Total
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			
Impairment of non-financial assets	40,104	51,546	Cash flows from financing activities :		
Changes in operating assets and liabilities:			(Decrease) increase in short-term borrowings	(1,762,018)	1,547,351
Notes receivables	(125,561)	(77,176)	(Decrease) increase in long-term borrowings	(55,976)	467,272
Trade receivables	2,949,559	1,088,500	Increase in guarantee deposits	17,540	-
Trade receivables-related parties	(538)	(1,145)	(Decrease) increase in other noncurrent liabilities	(620)	1,627
Other receivables	139,578	(226,118)	Cash dividends	(1,303,269)	(1,520,481)
Inventories	26,689	(710,306)	Payment on subsidiaries' acquisition of treasury stock	-	(20,719)
Prepayments	98,104	(110,968)	Proceeds from disposal of subsidiaries' ownership (without a change of control)	242,115	57,685
Other current assets	(22,414)	37,890	Change in non-controlling interests	(113,662)	63,568
Contract liabilities	(34,894)	-	Net cash (used in) provided by financing activities	(2,975,890)	596,303
Notes payables	(581)	(2,196)	Effect of exchange rate changes on cash and cash equivalents	(253,954)	(470,963)
Accounts payables	(3,578,676)	375,715	Net (decrease) increase in cash and cash equivalents	(740,067)	2,663,928
Accounts payables-related parties	511	(939)	Cash and cash equivalents at the beginning of the period	17,966,117	15,302,189
Other payables	709,320	(238,604)	Cash and cash equivalents at the end of the period	\$ 17,226,050	\$ 17,966,117
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:		(including cash and cash equivalents (excluding cash on hand), notes receivables, trade receivables and other receivables)	
Cash and cash equivalents (excluding cash on hand), notes receivables, trade receivables and other receivables	35,085,814	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)		Financial assets at fair value through profit or loss				
	315,029	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)		Amortized cost (note 2)				
Cash and cash equivalents	17,960,942	Cash and cash equivalents	17,960,942	-	-	-
Note receivables and trade receivables, net	16,499,403	Note receivables and trade receivables, net	16,499,403	-	-	-
Other receivables	625,469	Other receivables	625,469	-	-	-
Subtotal	35,085,814	Subtotal	35,085,814			
Hedging derivative financial assets	147,519	Hedging financial assets	147,519	-	-	-
Total	<u>\$35,615,797</u>	Total	<u>\$35,744,526</u>	<u>\$128,729</u>	<u>\$197,244</u>	<u>\$(68,515)</u>
Financial liabilities						
Hedging derivative financial liabilities		Hedging financial liabilities				
	<u>\$156,598</u>		<u>\$156,598</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

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 arised 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)

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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:

<u>Name</u>	<u>Years</u>
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:

<u>Name</u>	<u>Years</u>
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)

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

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 from operation leases is according to straight-line method of lease period. Contingent rental recognize income during the earning of the rent.

(15) Intangible Assets

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

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

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

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

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

CORETRONIC CORPORATION AND SUBSIDIARIES

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

(17) Provisions

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

Provision for decommissioning, restoration and rehabilitation costs

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

Maintenance warranties

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

Sales returns and allowances

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

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(18) Revenue Recognition

The accounting policy from January 1, 2018 as follow:

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

Sale of goods

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

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

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

Rendering of services

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

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

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

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

The accounting policy before January 1, 2018 as follow:

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

Sale of goods

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

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

Interest income

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

Dividends

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

(19) Post-Employment Benefits

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

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

(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)

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

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.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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.

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

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>

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

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

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

(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.

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

(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		\$315,029

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.

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

(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					More than 121 days	Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	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.

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

(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	\$7,882,359	\$7,903,924

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:

Investees	December 31, 2018	
	Carrying Amount	Percentage of ownership (%)
Investments in associates:		
Genejet Biotech Co., Ltd. (“Genejet”)	\$-	19.51%

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

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.

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

(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>

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The Group evaluated the economic benefits for property, plant and equipment and recognized impairment loss for the 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>

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	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	<u>\$2,182</u>	<u>\$(3,832)</u>

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	<u>\$222,400</u>	<u>\$217,000</u>
Discount rates	<u>4.095%</u>	<u>4.095%</u>
Growth rates	<u>0.4%</u>	<u>0.4%</u>

(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>

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

	Trade marks	Patents	Software	IPs	Goodwill	other	Total
Amortization and Impairment:							
As of January 1, 2018	\$88,714	\$7,902	\$95,877	\$27,230	\$-	\$15,477	\$235,200
Amortization	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.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(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>		

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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	<u>\$4,461</u>	<u>\$(13,248)</u>

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)	<u>\$182,047</u>	<u>\$175,270</u>	<u>\$297,754</u>
Other non-current liabilities			
— Carrying amount on the net defined benefit liabilities	<u>\$192,723</u>	<u>\$185,387</u>	<u>\$297,754</u>
Other non-current assets			
— Carrying amount on the net defined benefit assets	<u>\$(10,676)</u>	<u>\$(10,117)</u>	<u>\$-</u>

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	<u>650,047</u>	<u>365,541</u>	<u>284,506</u>

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	<u>(96,066)</u>	<u>(1,516)</u>	<u>(94,550)</u>
Paid pension	(12,680)	(12,545)	(135)
Contributions by employer	-	14,551	(14,551)
As of December 31, 2017	<u>\$541,301</u>	<u>\$366,031</u>	<u>\$175,270</u>

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	<u>551,794</u>	<u>372,063</u>	<u>179,731</u>

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	<u>24,043</u>	<u>8,717</u>	<u>15,326</u>
Paid pension	(29,944)	(29,944)	-
Contributions by employer	-	12,964	(12,964)
Other	-	46	(46)
As of December 31, 2018	<u>\$545,893</u>	<u>\$363,846</u>	<u>\$182,047</u>

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Maintenance warranties	Sales returns and allowances	Total
As of December 31, 2017:			
Current	\$742,629	\$225,139	\$967,768
Non-Current	-	-	-
	\$742,629	\$225,139	\$967,768

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	\$4,072,808	\$4,092,423

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

	Past due						Total
	Neither past due	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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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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	\$245,000	\$177,224

(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	\$(360,276)	\$866	\$(359,410)

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	\$(476,812)	\$(11,632)	\$(488,444)

CORETRONIC CORPORATION AND SUBSIDIARIES

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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\$)	\$2,020,219	\$1,750,627
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)	8,992	9,161
Weighted average number of ordinary shares outstanding after dilution (in thousand)	443,415	443,584
Diluted earnings per share (NT\$)	\$4.56	\$3.95

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:

	Amount
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

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	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	\$44,088

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	\$(4,247)

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	\$(18,271)

(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:

		December 31,	
Subsidiary	Country of incorporation and operation	2018	2017
Young Optics Inc.	Taiwan	55.89%	54.12%
		December 31,	
		2018	2017
Accumulated balance of material non-controlling interests			
Young Optics, Inc.		\$1,977,334	\$1,830,848

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

	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)

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

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

	Young Optics Inc
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 Categories

Related Party Name	Related Party Categories
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

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

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

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>

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

8. Assets Pledged As Collateral

The following assets of the Group pledged as collateral:

Assets pledged as collateral	Carrying amount		Purpose of pledge
	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.

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

12. Others

(1) Categories of Financial Instruments

Financial assets

	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>

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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:

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

When NTD appreciates or depreciates against USD by 1%, the profit for the 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.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

As of 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

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Financial liabilities

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

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

(6) Reconciliation of liabilities arising from financing activities:

Reconciliation of liabilities as of 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	<u>\$6,414,641</u>	<u>\$452,299</u>	<u>\$38,069</u>	<u>\$24,875</u>	<u>\$6,929,884</u>

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.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(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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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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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.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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			Total
	Level 1	Level 2	Level 3	
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			Total
	Level 1	Level 2	Level 3	
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		Total
	At fair value through		
	At fair value through other comprehensive profit or loss	income	
	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	<u>\$20,065</u>	<u>\$359,859</u>	<u>\$379,924</u>

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\$3,772thousand.

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(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 Note6(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.	Endorsor/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of Endorsement/ Guarantee collateralized by properties	Percentage of accumulated guarantee amount to net worth from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Company Name	Relationship										
0	Coretronic Corporation	Champ Vision Display	Subsidiary	\$ 10,720,951 (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/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of Endorsement/ Guarantee collateralized by properties	Percentage of accumulated guarantee amount to net worth from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Company Name	Relationship										
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 NTS\$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%
			1	Accounts receivables	121,763	—	0.25%
YLG Optotech	1	Sales	193,914	—	0.35%		
	1	Accounts receivables	382,836	—	0.80%		
Coretronic Display (Suzhou)	1	Sales	736,120	—	1.32%		
	1	Accounts receivables	1,434,242	—	2.99%		
Coretronic Optotech (Suzhou)	1	Sales	6,705,260	—	12.04%		
	3	Accounts receivables	1,016,031	—	2.12%		
1	Optoma Corporation	Optoma Technology	3	Sales	1,948,119	—	3.50%
			3	Accounts receivables	823,837	—	1.72%
2	Young Optics	Optoma Europe	3	Sales	3,834,149	—	6.89%
			3	Other receivables	166,455	—	0.35%
3	Grace China	Grace China	3	Accounts receivables	124,183	—	0.26%
			3	Sales	412,476	—	0.74%
3	Young Optics	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	Young Optics (BD)	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%
20	Boom Power Electronics (Su Zhou)	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	Sinolink 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	Teepoint 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 expansion	300,000	300,000	30,000,000	100.00%	301,529	2,292	2,292	Subsidiary
Coretronic Corporation	Champ 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	Teepoint	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
Teepoint	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
Teepoint	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
Teepoint	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
Teepoint	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 5,550,000	USD 5,550,000	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	USD10,000,000	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 (Bighsine 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 (Investdragon HK)	96,263 (USD3,000,000)	-	-	96,263 (USD3,000,000)	4,595	100.00%	4,595	-	-
Coretronic Display (Suzhou)	Research and development, manufacturing panel modules and related components of the business, sales of the company's own products and 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	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)								

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	Investment flows		Accumulated outflow of investment from Taiwan as of	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.

ATTACHMENT 7-2 (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 Chian promulgated by Investment Commission, MOEA.

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

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

ATTACHMENT 8 (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.

V. Individual financial report audited by CPAs for the most recent year



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Independent Auditors' Report

To Coretronic Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Coretronic Corporation ("the Company") as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only 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 parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its 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.

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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public 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 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

The Company recognized the allowance write-down of inventories amounted to NT\$37,034 thousand for the years 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 parent company only financial statements.

Maintenance warranties for products

The Company recognized the provision of maintenance warranties for products amounted to NT\$288,198 thousand for the years 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 parent company only financial statements.



Other Matter – Making Reference to the Audits of Component Auditors

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\$(11,397) thousand and NT\$22,695 thousand, representing (0.03)% and 0.06% of total assets as of December 31, 2018 and 2017, respectively. The related shares of loss from the associates and joint ventures under the equity method amounted to NT\$34,611 thousand and NT\$21,773 thousand, representing (1.7)% and (1.21)% of the net income before tax for the years ended December 31, 2018 and 2017, respectively.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
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 Company.
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 Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only 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 Company to express an opinion on the parent company only 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 parent company only 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.

Hsu, Hsin-Min

Chen, Chih-Chung

Ernst & Young, Taiwan

January 28, 2019

Notice to Readers

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

CORETRONIC CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2018	%	December 31, 2017	%
Current assets					
Cash and cash equivalents	4,6(1)	\$ 2,955,473	7.76	\$ 72,627	0.21
Financial assets at fair value through profit or loss-current	4,6(2)	49,189	0.13	23,097	0.07
Hedging derivative financial assets-current	4,6(3)	-	-	95,167	0.27
Hedging financial assets-current	4,6(3)	1,487	-	-	-
Note receivables, net	4,6(6)	-	-	1,324	-
Trade receivables, net	4,6(7)	5,091,575	13.36	5,449,345	15.49
Trade receivables-related parties, net	4,6(7),7	2,338,175	6.14	2,224,176	6.32
Other receivables	4,8	138,773	0.36	84,229	0.24
Other receivables-related parties	4,7	110,072	0.29	102,422	0.29
Inventories, net	4,5,6(8)	1,260,141	3.31	1,308,143	3.72
Prepayments		124,795	0.33	95,722	0.27
Other current assets		39,479	0.11	36,825	0.11
Total current assets		12,109,159	31.79	9,493,077	26.99
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	4,6(2)	20,065	0.05	-	-
Financial assets at fair value through other comprehensive income-noncurrent	4,6(4)	760	-	-	-
Financial assets measured at cost-noncurrent	4,6(5)	-	-	18,187	0.05
Investments accounted for using the equity method	4,6(9),(22)	24,420,833	64.10	24,281,252	69.04
Property, plant and equipment, net	4,6(10)	1,338,638	3.51	1,213,970	3.45
Intangible assets	4,6(11)	33,653	0.09	33,210	0.10
Deferred tax assets	4,5,6(23)	153,348	0.40	112,460	0.32
Other noncurrent assets		20,618	0.06	18,451	0.05
Total non-current assets		25,987,915	68.21	25,677,530	73.01
Total assets		\$ 38,097,074	100.00	\$ 35,170,607	100.00

(continued)

CORETRONIC CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2018	%	December 31, 2017	%
Current liabilities					
Short-term borrowings	6(12)	\$ 5,473,413	14.37	\$ 5,894,080	16.76
Financial liabilities at fair value through profit or loss-current	4,6(13)	12,658	0.03	31,774	0.09
Hedging derivative financial liabilities-current	4,6(13)	-	-	119,411	0.34
Hedging financial liabilities-current	4,6(13)	2,402	0.01	-	-
Contract liabilities-current	6(17)	171,472	0.45	-	-
Accounts payables		2,404,065	6.31	3,019,853	8.59
Accounts payables-related parties	7	3,307,902	8.68	1,913,402	5.43
Other payables		1,922,405	5.04	1,559,039	4.43
Other payables-related parties	7	1,066,038	2.80	42,540	0.12
Current tax liabilities	4,5,6(23)	475,235	1.25	301,882	0.86
Provision-current	4,5,6(15)	288,198	0.75	375,321	1.07
Other current liabilities		304,409	0.80	203,008	0.58
Total current liabilities		15,428,197	40.49	13,460,310	38.27
Non-current liabilities					
Deferred tax liabilities	4,5,6(23)	8,142	0.02	2,222	0.01
Net defined benefit liabilities-noncurrent	5,6(14)	129,632	0.34	154,130	0.44
Other noncurrent liabilities	6(9)	325,890	0.86	21,844	0.06
Total non-current liabilities		463,664	1.22	178,196	0.51
Total liabilities		15,891,861	41.71	13,638,506	38.78
Equity					
Share capital					
Common stock	6(16)	4,344,231	11.40	4,344,231	12.35
Capital surplus	6(16)	4,072,808	10.69	4,092,423	11.64
Retained earnings	6(16),(24)				
Legal reserve		3,572,543	9.38	3,397,480	9.66
Special reserve		2,483,647	6.52	1,962,450	5.58
Unappropriated retained earning		9,345,802	24.53	8,928,344	25.38
Total retained earnings		15,401,992	40.43	14,288,274	40.62
Other equity		(1,613,818)	(4.23)	(1,192,827)	(3.39)
Total equity		22,205,213	58.29	21,532,101	61.22
Total liabilities and equity		\$ 38,097,074	100.00	\$ 35,170,607	100.00

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION

PARENT COMPANY ONLY 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	Notes	For the years ended December 31,		For the years ended December 31,	
		2018	%	2017	%
Net sales	4,5,6(17),7	\$ 19,698,298	100.00	\$ 19,561,266	100.00
Operating costs	4,5,6(8),(11),(14),(18),(20),7	16,702,647	84.79	16,813,824	85.95
Gross profit		2,995,651	15.21	2,747,442	14.05
Unrealized gross profit on sales	6(9)	280,243	1.42	222,648	1.14
Realized gross profit on sales		222,648	1.13	164,382	0.84
Gross profit, net		2,938,056	14.92	2,689,176	13.75
Operating expenses	6(11),(14),(20)				
Selling expenses		303,083	1.54	262,183	1.34
General and administrative expenses		1,153,392	5.86	879,293	4.50
Research and development expenses		1,740,982	8.84	1,394,009	7.13
Total operating expenses		3,197,457	16.24	2,535,485	12.97
Operating (loss) income		(259,401)	(1.32)	153,691	0.78
Non-operating income and expenses					
Other income	6(21)	134,081	0.68	148,842	0.76
Other gains and losses	6(21)	169,749	0.86	85,561	0.44
Finance costs	6(21)	(184,635)	(0.93)	(98,386)	(0.50)
Share of income of subsidiaries, associates and joint ventures for using equity method	4,6(9)	2,172,989	11.03	1,506,461	7.70
Total non-operating income and expenses		2,292,184	11.64	1,642,478	8.40
Income before income tax		2,032,783	10.32	1,796,169	9.18
Income tax expense	4,5,6(23)	(12,564)	(0.06)	(45,542)	(0.23)
Net income		2,020,219	10.26	1,750,627	8.95
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit pension plans	6(22)	(16,517)	(0.08)	74,161	0.38
Remeasurements of defined benefit pension plans of subsidiaries, associates and joint ventures accounted for using equity method	6(22)	679	-	11,924	0.06
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income	6(22)	(2,237)	(0.01)	-	-
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income from share of subsidiaries, associates and joint ventures accounted for using equity method	6(22)	(63,098)	(0.32)	-	-
Income tax related to items that will not be reclassified	6(22),(23)	5,740	0.02	(12,607)	(0.07)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6(22)	(299,534)	(1.52)	(548,325)	(2.80)
Gain (loss) on effective portion of cash flow hedges	6(22)	7,823	0.04	(26,127)	(0.13)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures for using equity method reclassified subsequently to profit or loss	6(22)	-	-	48,813	0.25
Income tax related to items that may be reclassified subsequently to profit or loss	6(22),(23)	(3,939)	(0.02)	4,442	0.02
Other comprehensive income, net of tax		(371,083)	(1.89)	(447,719)	(2.29)
Total comprehensive income		\$ 1,649,136	8.37	\$ 1,302,908	6.66
Basic Earnings Per Share (in New Taiwan Dollars)	6(24)	\$ 4.65		\$ 4.03	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(24)	\$ 4.56		\$ 3.95	

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

CORETRONIC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income(loss)	Other equity			Total equity
			Legal reserve	Special reserve	Unappropriated retained earning			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
Acquisition or disposal of the interest of subsidiaries	-	30,586	-	-	-	-	-	-	-	-	30,586
Changes in subsidiaries' ownership	-	85,993	-	-	-	-	-	-	-	-	85,993
Appropriation and distribution of 2016 earnings:(Note)											
Legal reserve	-	-	196,453	-	(196,453)	-	-	-	-	-	-
Special reserve	-	-	-	671,630	(671,630)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(868,846)	-	-	-	-	-	(868,846)
Cash dividends distributed from capital surplus	-	(651,635)	-	-	-	-	-	-	-	-	(651,635)
Net income for the year ended December 31, 2017	-	-	-	-	1,750,627	-	-	-	-	-	1,750,627
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	73,478	(548,325)	-	35,113	(7,985)	-	(447,719)
Total comprehensive income (loss)	-	-	-	-	1,824,105	(548,325)	-	35,113	(7,985)	-	1,302,908
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
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
Effects of retrospective application and restatement	-	-	-	-	189,639	-	(59,990)	4,615	(4,615)	(4,615)	129,649
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
Acquisition or disposal of the interest of subsidiaries	-	197,582	-	-	-	-	-	-	-	-	197,582
Changes in subsidiaries' ownership	-	14	-	-	-	-	-	-	-	-	14
Appropriation and distribution of 2017 earnings:(Note)											
Legal reserve	-	-	175,063	-	(175,063)	-	-	-	-	-	-
Special reserve	-	-	-	521,197	(521,197)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,086,058)	-	-	-	-	-	(1,086,058)
Cash dividends distributed from capital surplus	-	(217,211)	-	-	-	-	-	-	-	-	(217,211)
Net income for the year ended December 31, 2018	-	-	-	-	2,020,219	-	-	-	-	-	2,020,219
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(10,082)	(299,534)	(65,351)	-	-	3,884	(371,083)
Total comprehensive income (loss)	-	-	-	-	2,010,137	(299,534)	(65,351)	-	-	3,884	1,649,136
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

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

Note : The amounts of employees' compensation was NT\$290,398 thousand and NT\$256,596 thousand as of December 31, 2018 and 2017, respectively.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION

PARENT COMPANY ONLY 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	\$ 2,032,783	\$ 1,796,169	Acquisition of investments accounted for using the equity method	\$ (69,917)	\$ (630,276)
Adjustments for:			Disposal of investments accounted for using the equity method	81,589	-
The profit or loss items which did not affect cash flows:			Acquisition of property, plant and equipment	(129,358)	(50,106)
Expected credit losses (gain)	1,048	(3,009)	Proceeds from disposal of property, plant and equipment	453	2,600
Depreciation	114,184	101,358	Acquisition of intangible assets	(14,562)	(21,124)
Amortization (including other noncurrent assets)	14,632	14,126	Proceeds from disposal of intangible assets	4,259	-
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(44,197)	38,969	Acquisitions through business combinations	1,191,135	-
Interest expenses	184,635	98,386	(Decrease) increase in other noncurrent assets	(1,830)	2,088
Interest income	(13,083)	(6,298)	Net cash provided by (used in) investing activities	1,061,769	(696,818)
Share of profit of subsidiaries, associates and joint ventures for using equity method	(2,172,989)	(1,506,461)			
Loss (gain) on disposal of property, plant and equipment	1,197	(298)			
Gain on disposal of intangible assets	(2,106)	-			
Gain from bargain purchase	-	(4,247)			
Unrealized gross profit on sales	280,243	222,648			
Realized gross profit on sales	(222,648)	(164,382)			
Changes in operating assets and liabilities:			Cash flows from financing activities :		
Notes receivables	1,324	(1,324)	(Decrease) increase in short-term borrowings	(420,667)	403,164
Accounts receivables	848,973	2,594,938	Increase in other payables-related parties	989,330	-
Accounts receivables-related parties	(113,999)	(433,714)	(Decrease) increase in other noncurrent liabilities	(555)	183
Other receivables	(52,168)	13,311	Cash dividends	(1,303,269)	(1,520,481)
Other receivables-related parties	(7,587)	69,023	Net cash used in financing activities	(735,161)	(1,117,134)
Inventories	48,002	420,753	Net increase (decrease) in cash and cash equivalents	2,882,846	(116,468)
Prepayments	7,949	(9,067)	Cash and cash equivalents at the beginning of the period	72,627	189,095
Other current assets	1,998	16,047	Cash and cash equivalents at the end of the period	\$ 2,955,473	\$ 72,627
Notes payables	171,472	-			
Accounts payables	(658,735)	(1,000,244)			
Accounts payables-related parties	1,394,500	(17,990)			
Other payables	308,629	(233,427)			
Other payables-related parties	7,146	3,306			
Provision-current	(134,218)	4,387			
Other current liabilities	59,776	(205,887)			
Net defined benefit liabilities	(23,061)	(17,423)			
Cash generated from operating activities	2,033,700	1,789,650			
Interest received	12,370	6,294			
Dividend received	766,557	55,753			
Interest paid	(182,708)	(95,700)			
Income tax paid	(73,681)	(58,513)			
Net cash provided by operating activities	2,556,238	1,697,484			

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY 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 (“The Company”) 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. The Company mainly engages in the R&D, production, manufacturing and marketing of projectors, backlight, and FPD-related products. The Company’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 parent company only financial statements 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 Company 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 Company 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 Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed at the date of initial application.

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

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

B. Before January 1, 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from January 1, 2018, in accordance with IFRS 15, the Company recognized revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company'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 Company has the obligation to provide the goods subsequently. Before January 1, 2018, the Company 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 Company as at the date of initial application was NT\$108,886 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$171,472 thousand and the contract liabilities increased by NT\$171,472 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\$115,567 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 Company 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 Company:

- A. The Company 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

NOTES TO PARENT COMPANY ONLY 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	\$23,097	Fair value through profit or loss	\$41,144
Fair value through other comprehensive income		Fair value through other comprehensive income	3,013
Available-for-sale financial assets (including measured at cost)	18,187		
At amortized cost		At amortized cost	
Loans and receivables:		(including cash and cash	
Cash and cash equivalents		equivalents (excluding cash on	
(excluding cash on hand), notes		hand), notes receivables, trade	
receivables, trade receivables and	7,930,319	receivables, and other	7,930,319
other receivables		receivables)	
Hedging derivative financial assets	95,167	Hedging financial assets	95,167
Total	\$8,066,770	Total	\$8,069,643

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
NOTES TO PARENT COMPANY ONLY 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 lossHeld for trading	\$23,097	Financial assets at fair value through profit or loss	\$23,097	\$-	\$-	\$-
Available-for-sale financial assets (including initial cost \$18,187 and show separately as investments measured at cost)(note 1)	18,187	Financial assets at fair value through profit or loss	18,047	81	65	16
		Measured at fair value through other comprehensive income (equity instrument)	3,013	2,792	73	2,719
		Subtotal	21,060	2,873	138	2,735
Loans and receivables (note 2)						
		Amortized cost (note 2)				
Cash and cash equivalents	68,823	Cash and cash equivalents	68,823	-	-	-
Note receivables and trade receivables, net	7,674,845	Note receivables and trade receivables, net	7,674,845	-	-	-
Other receivables	186,651	Other receivables	186,651	-	-	-
Subtotal	7,930,319	Subtotal	7,930,319			
Hedging derivative financial assets	95,167	Hedging financial assets	95,167	-	-	-
Total	\$8,066,770	Total	\$8,069,643	\$2,873	\$138	\$2,735
Financial liabilities						
Hedging derivative financial liabilities	\$119,411	Hedging financial liabilities	\$119,411	\$-	\$-	\$-

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY 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 Company 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 Company 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\$18,187 thousand. 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\$18,187 thousand and was impaired and recognized an impairment loss of NT\$73 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\$21,060 thousand as of January 1, 2018. The Company adjusted the carrying amount of financial assets at fair value through profit and loss of NT\$18,047 thousand, financial assets measured at other comprehensive income of NT\$3,013 thousand and also adjusted the retained earnings, deferred tax liabilities, and unrealized losses on financial assets at fair value through other comprehensive income by NT\$138 thousand, NT\$16 thousand, and NT\$2,719 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

NOTES TO PARENT COMPANY ONLY 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 Company 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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

IAS 12“Income Taxes”

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

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

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 Transaction Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Company are summarized as follows:

- A. For the definition of a lease, the Company 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 Company 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 Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company 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 Company 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 Company 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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

The Company expects the right-of-use asset and the lease liability will increase 1.47% of total assets as of 1 January 2019.

- 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 a 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

NOTES TO PARENT COMPANY ONLY 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 Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company 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 Company at this point in time.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The parent company only financial statements of the Company 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

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

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

(3) Foreign Currency Transactions

The parent company only financial statements are presented in NT\$.

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

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- 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.

(4) Translation of Foreign Currency Financial Statements

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. 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 the 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

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(5) Current and Non-Current Distinction

An asset is classified as current when:

- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Company holds the asset primarily for the purpose of trading
- C. The Company 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 Company expects to settle the liability in its normal operating cycle
- B. The Company 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 Company 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.

(6) 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.

(7) Financial Instruments

Financial assets and financial liabilities are recognized when the Company 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

NOTES TO PARENT COMPANY ONLY 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 Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company 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 Company'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 recognize 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 Company 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 Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY 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 Company 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 Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company 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

NOTES TO PARENT COMPANY ONLY 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 Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company 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 Company 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 company 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 Company is provided internally on that basis to the key management personnel.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY 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 Company 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

NOTES TO PARENT COMPANY ONLY 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 Company 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 Company 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 Company 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 Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company 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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

The accounting policy before January 1, 2018 as follow:

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

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

Other loss events include:

- (a) significant financial difficulty of the issuer or obligor; or
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
or
- (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 Company 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 Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a company 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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in short term.
- (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 company 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 Company is provided internally on that basis to the key management personnel.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

When the Company 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.

(8) Derivative Instrument and Hedging accounting

The Company 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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

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

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.

(9) 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:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- 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 Company.

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 Company 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.

(10) Inventories

Inventories are stated at acquisition cost, and the cost is measured by standard cost method. The Company 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.

(11) 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 Company 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:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Name	Years
Buildings and facilities	5~50 years
Machinery and equipment	5~6 years
Transportation equipment	6 years
Furniture and fixtures	3~4 years
Leasing assets	11 years
Miscellaneous equipment	3~10 years

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

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

(12) Leases

The Company as a lessee

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

The leased assets are depreciated against the useful life of the asset, only if it can't be reasonable determine the Company 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 Company as a lessor

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(13) Intangible Assets

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

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

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

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

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

Developing intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company 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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Patents

The patents have been granted by the relevant enterprise for fifteen years.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 years).

(14) Impairment of Non-Financial Assets

The Company 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 Company 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 Companies 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 Company 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.

A cash generating unit, or the Company 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 (the Company of units), then to the other assets of the unit (the Company of units) pro rata on the basis of the carrying amount of each asset in the unit (the Company 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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(15) Provisions

Provisions are recognized when the Company 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 Company 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.

(16) Revenue Recognition

The accounting policy from January 1, 2018 as follow:

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Sale of goods

The Company 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 Company 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 Company's sale of goods is from 30 to 150 days. For most of the contracts, when the Company 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 Company 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 Company 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 Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Company 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 Company 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 Company has the obligation to provide the services subsequently and it should be recognized as contract liabilities.

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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 Company 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 Company's right to receive the payment is established.

(17) Post-Employment Benefits

All regular employees of the Company 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 Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

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:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- A. The date of the plan amendment or curtailment; and
- B. The date that the Company 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.

(18) 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.

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:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- 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 Company 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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's parent company only 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.

(1) Judgement

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Operating lease commitments – the Company for lessor

The Company has entered into a commercial real estate lease for the investment real estate portfolio. Based on the assessment of its agreed terms, the Company 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 Company 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 Company 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).

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 Company'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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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(14) 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 Company regularly examines the reasonableness of the estimates. Refer to Note 6(15) for more details.

F. Revenue recognition - sales returns and allowance

Starting from January 1, 2018:

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

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 Company 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 Company's domicile.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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	\$555,006	\$69,206
Time deposits	2,300,448	3,421
Cash Equivalents	100,019	-
Total	\$2,955,473	\$72,627

(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	\$49,189	
Stocks	20,065	
Total	\$69,254	
Current	49,189	
Noncurrent	20,065	
Total	\$69,254	

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

	December 31,	
	2018(Note)	2017
Held for trading		
Derivative not designated as hedging instruments		
Forward foreign exchange contracts		\$23,097
Current		\$23,097
Noncurrent		-
Total		\$23,097

Note: The Company adopted IFRS 9 since January 1, 2018. The Company 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.

(3) Hedging (Derivative) Financial Assets

	December 31,	
	2018	2017 (Note)
Hedging financial assets		
Forward foreign exchange contracts	\$1,487	
Current	\$1,487	
Noncurrent	-	
Total	\$1,487	

	December 31,	
	2018 (Note)	2017
Hedging derivative financial assets		
Forward foreign exchange contracts		\$95,167
Current		\$95,167
Noncurrent		-
Total		\$95,167

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Note: The Company adopted IFRS 9 since January 1, 2018. The Company 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	\$760	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company 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.

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

	December 31,	
	2018(Note)	2017
Available-for-sale financial assets		
Maxiam Ventures I Inc.		\$221
Nightingale Intelligent System, Inc.		17,966
Total		\$18,187

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

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

Financial assets measured at cost were not pledged.

CORETRONIC CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(6) Notes Receivables

	December 31,	
	2018	2017
Notes Receivable - arose from Operating activities	\$-	\$1,324
	\$-	\$1,324

Notes receivables were not pledged.

The Company 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.

(7) Trade Receivables and Trade Receivables-Related Parties

	December 31,	
	2018	2017
Trade receivable	\$5,093,146	\$5,449,349
Less: allowance for doubtful accounts	(1,571)	(4)
Subtotal	5,091,575	5,449,345
Trade receivables for related parties	2,338,175	2,224,176
Total	\$7,429,750	\$7,673,521

Trade receivables were not pledged.

Trade receivables are generally on 30-150 day terms. The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6(18) for more details on impairment of trade receivables. The Company 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	\$3,013
Charge for the current period	(3,009)
At December 31, 2017	\$4

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

There is no impairment loss as a result of individual valuation of trade receivables for the 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	Past due but not impaired						Total
	Neither past due nor impaired	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	
December 31, 2017	\$7,087,626	\$585,727	\$168	\$-	\$-	\$-	\$7,673,521

The Company entered into factoring contracts without recourse with a number of domestic banks. To wit, banks pay to the Company 100% of the accounts receivable factored as consideration. According to the arrangement, if the client of the trade receivables factoring delays the payment, the Company shall pay interests to the bank. Upon assignment of the factoring to the bank, the bank undertakes the associated credit risk. However, the Company 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 Company, the Company should pay the promissory note in compensation for the bank. As of December 31, 2018 and 2017, the Company 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.

(8) Inventories

	December 31,	
	2018	2017
Raw materials and supplies	\$1,059,891	\$1,165,224
Work in process	25,329	14,827
Finished goods	174,921	128,092
Total	\$1,260,141	\$1,308,143

The cost of inventories recognized in expenses amounted to NT\$16,702,647 thousand and NT\$16,813,824 thousand for the years ended December 31, 2018 and 2017, including the write-down of inventories and obsolescence loss of NT\$22,430 thousand and NT\$20,480 thousand, respectively.

The allowance write-down of inventories amounts to NT\$37,034 thousand and NT\$25,787 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 Company:

CORETRONIC CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Investee companies	December 31,			
	2018		2017	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments subsidiaries :				
Visicorp Limited (Visicorp)	\$11,009,246	100.00%	\$10,346,880	100.00%
Coretronic (BVI) Investment Corp. (Coretronic BVI)	5,244,984	100.00%	4,870,397	100.00%
Young Optics Inc. (“TYO”)	1,330,313	37.76%	1,292,663	38.36%
Tecpoint Limited (Tecpoint)	2,577,330	78.06%	2,544,341	78.06%
Chung Tsen Investment Corp.(“CGT”)	1,418,224	100.00%	1,199,147	100.00%
Young Lighting Technology Inc. (“YLT”)	-	-	862,252	100.00%
Optoma Corporation (“Optoma”)	982,937	100.00%	1,213,862	92.42%
Sinolink Global Limited (Sinolink)	1,224,050	100.00%	1,189,147	100.00%
Coretronic Venture Capital Co. (“CVC”)	301,529	100.00%	299,237	100.00%
Young Green Energy Co.(“YGE”)	232,103	99.91%	211,383	99.91%
Coretronic Intelligent Cloud Service Corporation (“CICS”)(Original name “Coretronic Sysem Engineering Corporation”)	163,506	100.00%	145,408	100.00%
uCare Medical Electronics Co., Ltd. (“UCM”)	50,628	80.00%	72,858	80.00%
Champ Vision Display Inc. (“CVD”)	134,353	80.00%	125,653	80.00%

(Continued)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(To be continued)

Investee companies	December 31,			
	2018		2017	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments subsidiaries :				
Calibre UK Ltd. (“CAL”)	-	100.00%	22,695	100.00%
Coretronic Intelligent Robotics Corporation (“CIRC”)	27,619	100.00%	59,988	100.00%
InnoSpectra Corporation (“ISC”)	34,679	80.00%	47,989	80.00%
Young Lighting Limited	-	100.00%	-	-
Unrealised gross profit on sales and gain on disposal of assets	(310,668)		(222,648)	
Total	\$24,420,833		\$24,281,252	

- (1) The Company recognized share of profit or loss of subsidiaries based on the financial statements of the investee companies audited by the accountants in the amount of NT\$2,172,989 thousand and NT\$1,506,461 thousand for the year ended December 31, 2018 and 2017, respectively.
- (2) The Company accounted for its investments in subsidiaries using equity method, and made assessments and adjustments according the current situation.
- (3) All subsidiaries are included in the consolidated financial statements of the Company in accordance with the Regulations.
- (4) The negative balance of investment in Calibre UK Ltd. and Young Lighting Limited as of December 31, 2018 and 2017 was NT\$11,397 thousand and NT\$292,701 thousand, respectively which are presented in other non-current liabilities. The Company has power over these subsidiaries; therefore continue to recognize investment losses.
- (5) The Company acquired 100% shares of Calibre UK Ltd. in July 2017. CAL is engaged in R&D, design production and marketing of image processing products. The purpose of this merger is to enhance the Company’s development ability of image processing. The consideration paid for acquisition was NT\$39,841 thousand and the fair value of the identifiable assets and liabilities as of the acquisition date was NT\$44,088 thousand. Therefore, the Company recognized gain from bargain purchase of CAL amounted NT\$4,247 thousand.
- (6) YLT dissolution and merger with the Company were approved by the Board of Directors and October 1, 2018 was set as consolidation base date. The Company acquired 100% shares of YLT’s subsidiary YLL.

Note : “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.

CORETRONIC CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(10) Property, Plant and Equipment

	Land	Buildings	Machinery and equipment	Office fixtures	Transportation equipment	Leasehold improvement	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:									
As of January 1, 2018	\$23,901	\$1,883,981	\$116,439	\$28,830	\$-	\$773	\$54,909	\$476	\$2,109,309
Additions	-	13,834	47,546	5,288	486	2,244	18,278	41,682	129,358
Disposals	-	(3,527)	(6,638)	(6,499)	-	(400)	(6,724)	-	(23,788)
Transfers	-	-	25,885	-	-	1,146	-	(27,031)	-
Acquisitions through business combinations	-	54,109	(154,194)	198	-	-	20,417	-	228,918
As of December 31, 2018	\$23,901	\$1,948,397	\$337,426	\$27,817	\$486	\$3,763	\$6,880	\$15,127	\$2,443,797
As of January 1, 2017	\$23,901	\$1,930,574	\$131,992	\$30,945	\$300	\$773	\$54,844	\$3,345	\$2,176,674
Additions	-	6,110	5,741	2,846	-	-	8,422	9,050	32,169
Disposals	-	(52,703)	(29,754)	(5,133)	(300)	-	(11,644)	-	(99,534)
Transfers	-	-	8,460	172	-	-	3,287	(11,919)	-
As of December 31, 2017	\$23,901	\$1,883,981	\$116,439	\$28,830	\$-	\$773	\$54,909	\$476	\$2,109,309
Depreciation and Impairment:									
As of January 1, 2018	\$-	\$809,675	\$42,837	\$15,342	\$-	\$178	\$27,307	\$-	\$895,339
Depreciation	-	61,991	30,238	6,679	54	301	14,921	-	114,184
Disposals	-	(3,527)	(5,441)	(6,499)	-	(73)	(6,598)	-	(22,138)
Acquisitions through business combinations	-	26,885	76,289	103	-	-	14,497	-	117,774
As of December 31, 2018	\$-	\$895,024	\$143,923	\$15,625	\$54	\$406	\$50,127	\$-	\$1,105,159
As of January 1, 2017	\$-	\$801,286	\$50,524	\$13,298	\$175	\$67	\$25,863	\$-	\$891,213
Depreciation	-	61,060	19,923	7,177	-	111	13,087	-	101,358
Disposals	-	(52,671)	(27,610)	(5,133)	(175)	-	(11,643)	-	(97,232)
As of December 31, 2017	\$-	\$809,675	\$42,837	\$15,342	\$-	\$178	\$27,307	\$-	\$895,339
Net carrying amounts as of:									
December 31, 2018	\$23,901	\$1,053,373	\$193,503	\$12,192	\$432	\$3,357	\$36,753	\$15,127	\$1,338,638
December 31, 2017	\$23,901	\$1,074,306	\$73,602	\$13,488	\$-	\$595	\$27,602	\$476	\$1,213,970

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(11) Intangible Assets

	Patents	Software	IPs	Total
Cost:				
As of January 1, 2018	\$15,500	\$41,937	\$7,619	\$65,056
Additions	-	14,562	-	14,562
Disposals	-	(21,710)	(7,619)	(29,329)
Transfers	-	(8,205)	-	(8,205)
Acquisitions through business combinations	-	8,458	46,569	55,027
As of December 31, 2018	\$15,500	\$35,042	\$46,569	\$97,111
As of January 1, 2017	\$15,500	\$25,869	\$9,524	\$50,893
Additions	-	21,124	-	21,124
Disposals	-	(5,056)	-	(5,056)
Transfers	-	-	(1,905)	(1,905)
As of December 31, 2017	\$15,500	\$41,937	\$7,619	\$65,056
Amortization and Impairment:				
As of January 1, 2018	\$7,798	\$20,688	\$3,360	\$31,846
Amortization	1,088	9,656	3,880	14,624
Disposals	-	(21,710)	(3,360)	(25,070)
Acquisitions through business combinations	-	7,131	34,927	42,058
As of December 31, 2018	\$8,886	\$15,765	\$38,807	\$63,458
As of January 1, 2017	\$6,710	\$15,801	\$265	\$22,776
Amortization	1,088	9,943	3,095	14,126
Disposals	-	(5,056)	-	(5,056)
As of December 31, 2017	\$7,798	\$20,688	\$3,360	\$31,846
Net carrying amount as of:				
December 31, 2018	\$6,614	\$19,277	\$7,762	\$33,653
December 31, 2017	\$7,702	\$21,249	\$4,259	\$33,210

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Amortization expense of intangible assets:

	December 31,	
	2018	2017
Operating Cost	\$33	\$29
Selling expenses	12	12
General and administrative expense	6,858	2,042
Research and development expenses	7,721	12,043
Total	\$14,624	\$14,126

(12) Short-Term Borrowings

	December 31,	
	2018	2017
Unsecured bank loans	\$5,473,413	\$5,894,080
Interest rates (%)	2.73%~3.44%	0.69%~2.65%

The Company's unused short-term lines of credits amounted to NT\$19,090,242 thousand and NT\$16,563,812 thousand as of December 31, 2018 and 2017, respectively.

(13) 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	\$12,658	\$31,774

Hedging financial liabilities

	December 31,	
	2018	2017(Note)
Forward exchange contracts	\$2,402	

Hedging derivative financial liabilities

	December 31,	
	2018(Note)	2017
Forward exchange contracts		\$119,411

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(14) Post-Employment Benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT\$104,641 thousand and NT\$95,391 thousand, respectively.

Defined benefits plan

The Company adopts 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 Company 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 Company 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 Company 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 Company 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 Company expects to contribute NT\$9,955 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 16.69 years and 17.14 years as of December 31, 2018 and 2017, respectively.

CORETRONIC CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Pension costs recognized in profit or loss are as follows:

	December 31,	
	2018	2017
Current service costs	\$797	\$960
Past service cost	-	(12,892)
Net interest on the net defined benefit liabilities (assets)	6,955	7,144
Expect return on plan assets	(4,523)	(3,826)
Total	\$3,229	\$(8,614)

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	\$413,567	\$429,216	\$519,897
Plan assets at fair value	(283,935)	(275,086)	(274,183)
Other non-current liabilities			
— carrying amount on the net defined benefit liabilities/assets	\$129,632	\$154,130	\$245,714
	\$129,632	\$154,130	\$245,714

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY 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	\$519,897	\$274,183	\$245,714
Current service cost	960	-	960
Interest expense (revenue)	7,144	3,826	3,318
Settlement profit or loss	(12,892)	-	(12,892)
Subtotal	<u>515,109</u>	<u>278,009</u>	<u>237,100</u>

Remeasurements of the defined benefit liability (asset):

Actuarial gains and losses arising from changes in financial assumptions	(79,313)	-	(79,313)
Experience adjustments	(4,019)	(1,133)	5,152
Subtotal	<u>(75,294)</u>	<u>(1,133)</u>	<u>(74,161)</u>
Paid pension	(10,599)	(10,599)	-
Contributions by employer	-	8,674	(8,674)
Other	-	135	(135)
As of December 31, 2017	<u>\$429,216</u>	<u>\$275,086</u>	<u>\$154,130</u>
As of January 1, 2018	\$429,216	\$275,086	\$154,130
Current service cost	797	-	797
Interest expense	6,955	4,523	2,432
Subtotal	<u>436,968</u>	<u>279,609</u>	<u>157,359</u>

Remeasurements of the defined benefit liability (asset):

Actuarial gains and losses arising from changes in financial assumptions	13,897	-	13,897
Experience adjustments	9,531	6,911	2,620
Subtotal	<u>23,428</u>	<u>6,911</u>	<u>16,517</u>
Paid pension	(26,497)	(26,497)	-
Contributions by employer	-	9,414	(9,414)
Acquisitions through business combinations	24,415	14,452	9,963
Transfers or other	(44,747)	46	(44,793)
As of December 31, 2018	<u>\$413,567</u>	<u>\$283,935</u>	<u>\$129,632</u>

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

	December 31,	
	2018	2017
Discount rate	1.375%	1.625%
Expected rate of salary increases	4.00%	4.00%

Sensitivity analysis of significant assumptions is as follows:

	December 31,			
	2018		2017	
	Increase	Decrease	Increase	Decrease
	defined	defined	defined	defined
	benefit	benefit	benefit	benefit
	obligation	obligation	obligation	obligation
Discount rate increase by 0.25%	\$	\$13,897	\$	\$14,544
Discount rate decrease by 0.25%	14,520	-	15,194	-
Future salary increase by 0.25%	13,834	-	14,508	-
Future salary decrease by 0.25%	-	13,336	-	13,964

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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(15) Provisions

	Maintenance warranties
As of January 1, 2018:	\$259,754
Arising during the period	33,963
Utilized during the period	(5,519)
As of December 31, 2018	\$288,198

	Maintenance warranties
As of December 31, 2018:	
Current	\$288,198
Non-Current	-
	\$288,198

	Maintenance warranties	Sales returns and allowances	Total
As of December 31, 2017:			
Current	\$259,754	\$115,567	\$375,321
Non-Current	-	-	-
	\$259,754	\$115,567	\$375,321

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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(16) Equities

A. Common stock

The Company'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. The Company'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	\$4,072,808	\$4,092,423

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;

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- (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 the Company'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 the Company'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 the Company's Article of Incorporation. If the Company 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 the Company's Article of Incorporation.

According to Company Act, the Company 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 the Company. If the Company 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:

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.

CORETRONIC CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

(17) Operating Income

	Years ended December 31,	
	2018(Note)	2017
Contract revenue from customers		
Sale of goods	\$19,024,292	\$18,707,252
Revenue arising from rendering of services	31,072	70,950
Other operating revenues	642,934	783,064
Total	\$19,698,298	\$19,561,266

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

The Company 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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

	Energy – saving products segment	Image products and brand segment	Other segment	Total
Sale of goods	\$6,329,463	\$12,694,468	\$361	\$19,024,292
Revenue arising from rendering of services	16,128	14,944	-	31,072
Other operating revenues	135,315	507,619	-	642,934
Total	<u>\$6,480,906</u>	<u>\$13,217,031</u>	<u>\$361</u>	<u>\$19,698,298</u>
The timing of revenue recognition:				
At a point in time	<u>\$6,480,906</u>	<u>\$13,217,031</u>	<u>\$361</u>	<u>\$19,698,298</u>

B. Contract balance

Contract liabilities-current

	January 1, 2018	December 31, 2018	Difference
Sale of goods	\$66,260	\$96,865	\$30,605
Other operating revenues	42,626	74,607	31,981
Total	<u>\$108,886</u>	<u>\$171,472</u>	<u>\$62,586</u>

During the years ended December 31, 2018, contract liabilities significantly increased as additional performance obligations have not been satisfied and NT\$108,886 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.

(18) Expected credit losses

	Years ended December 31,	
	2018	2017(Note)
Operating expenses – Expected credit losses		
Trade Receivables	<u>\$1,048</u>	

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

The Company measures trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2018 is as follows:

The Company 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(Note)	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	\$4,281,362	\$786,030	\$25,754	\$-	\$-	\$-	\$5,093,146
Loss ratio	0%	0%	5%	30%	50%	100%	
Expected credit losses	(283)	-	(1,288)	-	-	-	(1,571)
Subtotal	\$4,281,079	\$786,030	\$24,466	\$-	\$-	\$-	\$5,091,575

Note: Accounts receivable for individual significant signs of default estimates of expected credit losses of NT\$283 thousand.

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

	Trade receivables
As of January 1, 2018 (IAS 39)	\$4
Beginning adjusted retained earning	-
As of January 1, 2018 (IFRS 9)	4
Charge for the current period	1,048
Acquisitions through business combinations	519
As of December 31, 2018	\$1,571

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(19) Operating Lease

Operating lease commitments - the Company as lessee

The Company'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

Operating lease expense as follows:

	Years ended December 31,	
	2018	2017
Minimum lease payments	\$41,085	\$36,448

(20) 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	\$461,969	\$2,263,296	\$2,725,265	\$472,994	\$1,769,935	\$2,242,929
Salaries	379,046	1,989,177	2,368,223	372,636	1,551,965	1,924,601
Labor and health insurance	32,808	121,256	154,064	38,871	106,082	144,953
Pension	18,019	89,851	107,870	19,133	67,644	86,777
Directors' remuneration	-	3,060	3,060	-	3,060	3,060
Other employee benefits expense	32,096	59,952	92,048	42,354	41,184	83,538
Depreciation	46,038	68,146	114,184	35,612	65,746	101,358
Amortization	41	14,591	14,632	29	14,097	14,126

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

The number of employees is 2,166 and 1,857 as of December 31, 2018 and 2017, respectively. The number of directors who are not concurrent employees is both 3 in 2018 and 2017.

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. The Company 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.

The Company 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, the Company 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.

(21) Non-Operating Income and Expenses

A. Other income

	Years ended December 31,	
	2018	2017
Interest income		
Financial assets measured at amortized cost	\$13,083	\$6,298
Rental income	30,222	19,297
Gain from bargain purchase	-	4,247
Other	90,776	119,000
Total	\$134,081	\$148,842

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

B. Other gains and losses

	Years ended December 31,	
	2018	2017
(Losses) gains on disposal of property, plant and equipment	\$(1,197)	\$298
Gains on disposal of Intangible assets	2,105	-
Foreign exchange (loss) gain, net	(169,341)	153,791
Gains (losses) on financial assets (liabilities) at fair value through profit or loss (Note a and b)	338,303	(68,528)
Other	(121)	-
Total	\$169,749	\$85,561

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.

C. Finance cost

	Years ended December 31,	
	2018	2017
Interest on borrowings from bank	\$184,635	\$98,386

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(22) 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
Not to be reclassified to profit or loss:			
Remeasurements of defined benefit plans	\$(16,517)	\$5,756	\$(10,761)
Remeasurements of defined benefit plans of subsidiaries, associates and joint ventures accounted for using equity method	679	-	679
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income	(2,237)	(16)	(2,253)
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income from share of subsidiaries, associates and joint ventures accounted for using equity method	(63,098)	-	(63,098)
To be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	(299,534)	-	(299,534)
Gain (loss) on effective portion of cash flow hedges	7,823	(3,939)	3,884
Total of other comprehensive income	<u>\$(372,884)</u>	<u>\$1,801</u>	<u>\$(371,083)</u>

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

For the year ended December 31, 2017

	Arising during the period	Income tax income (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:			
Remeasurements of defined benefit plans	\$74,161	\$(12,607)	\$61,554
Remeasurements of defined benefit plans of subsidiaries, associates and joint ventures accounted for using equity method	11,924	-	11,924
To be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	(548,325)	-	(548,325)
(Loss) gain on effective portion of cash flow hedges	(26,127)	4,442	(21,685)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method-items likely to be reclassified to profit or loss in subsequent period	48,813	-	48,813
Total of other comprehensive income	\$(439,554)	\$(8,165)	\$(447,719)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(23) Income Tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company'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 income (expense):		
Current income tax charge	\$49,974	\$77,335
Adjustments in respect of current income tax of prior periods	(11,000)	(19,000)
Deferred tax expense (income):		
Deferred tax income relating to origination and reversal of temporary differences	(34,460)	(26,668)
Deferred tax income relating to changes in tax rate or the imposition of new taxes	(16,200)	-
Deferred tax expense (income) arising from write-down or reversal of write-down of deferred tax asset	24,250	13,875
Total income tax expense	\$12,564	\$45,542

Income tax relating to components of other comprehensive income

	Years ended December 31,	
	2018	2017
Deferred income tax expense (income):		
Unrealized loss of cash flow hedges	\$3,939	\$(4,442)
Remeasurements of defined benefit plans	(5,756)	12,607
Unrealized loss from financial assets at fair value through other comprehensive income	16	-
Income tax related to components of other comprehensive income	\$(1,801)	\$8,165

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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	\$2,032,783	\$1,796,169
Tax calculated by statutory tax rate	\$406,557	\$305,349
Tax effect of expenses not deductible for tax purposes	(375,278)	(237,525)
Tax effect of deferred tax assets/liabilities	24,250	13,875
10 % surtax on undistributed retained earnings	4,179	13,088
Investment tax credits	(20,975)	(32,330)
Adjustments in respect of current income tax of prior periods	(11,000)	(19,000)
Effect of tax rate changes	(16,200)	-
Other	1,031	2,085
Total income tax expense recognized in profit or loss	<u>\$12,564</u>	<u>\$45,542</u>

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	Business combination	Ending balance
Temporary differences					
Unrealized allowance for inventory obsolescence	\$4,384	\$3,023	\$-	\$-	\$7,407
Unrealized inter company profits and losses	37,850	18,267	-	-	56,117
Net unrealized exchange gains or losses	5,568	(6,025)	-	341	(116)
Provision-sales returns and allowances	19,647	10,318	-	-	29,965
Impairment on property, plant and equipment	4,614	1,627	-	-	6,241
Defined benefit liabilities-noncurrent	26,437	(2,441)	5,756	(84)	29,668
Accrued expense of tax differences	13,295	2,492	-	-	15,787
Cash flow hedges	4,121	-	(3,939)	-	182
Others	(5,678)	(851)	(16)	6,500	(45)
Deferred tax (expense) income		<u>\$26,410</u>	<u>\$1,801</u>	<u>\$6,757</u>	
Net deferred tax assets (liabilities)	<u>\$110,238</u>				<u>\$145,206</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$112,460</u>				<u>\$153,348</u>
Deferred tax liabilities	<u>\$2,222</u>				<u>\$8,142</u>

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

For the year ended December 31, 2017

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized allowance for inventory obsolescence	\$2,648	\$1,736	\$-	\$4,384
Unrealized inter company profits and losses	27,945	9,905	-	37,850
Net unrealized exchange gains or losses	(23,352)	28,920	-	5,568
Provision-sales returns and allowances	16,452	3,195	-	19,647
Impairment on property, plant and equipment	4,614	-	-	4,614
Defined benefit liabilities-noncurrent	42,006	(2,962)	(12,607)	26,437
Accrued expense of tax differences	36,835	(23,540)	-	13,295
Cash flow hedges	(321)	-	4,442	4,121
Others	(1,217)	(4,461)	-	(5,678)
Deferred tax (expense) income		\$12,793	\$(8,165)	
Net deferred tax assets (liabilities)	\$105,610			\$110,238
Reflected in balance sheet as follows:				
Deferred tax assets	\$111,968			\$112,460
Deferred tax liabilities	\$6,358			\$2,222

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized amount to NT\$164,561 thousand and NT108,246 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize deferred tax liabilities associated with tax payable for unremitted earnings of the Company's overseas subsidiaries, as the Company 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\$15,949,375 thousand and NT\$15,409,724 thousand, respectively.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Unappropriated retained earnings:

	Years ended 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	\$9,345,802	\$8,928,344

The assessment of income tax returns

As of December 31, 2018, the tax authorities have assessed and approved income tax returns of the Company through 2016.

(24) Earnings Per Share

Basic earnings per share amounts are calculated by dividing net income for the year attributable to ordinary equity holders 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 (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 (in thousand NT\$)	\$2,020,219	\$1,750,627
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	434,423	434,423
Basic earnings per share (NT\$)	\$4.5	\$4.03

CORETRONIC CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Years ended December 31,	
	2018	2017
B. Diluted earnings per share		
Profit attributable to ordinary shareholders after dilution (in thousand NT\$)	\$2,020,219	\$1,750,627
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	434,423	434,423
Effect of dilution:		
Employees' compensation – stock (in thousand)	8,992	9,161
Weighted average number of ordinary shares outstanding after dilution (in thousand)	443,415	443,584
Diluted earnings per share (NT\$)	\$5	\$3.95

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.

7. Related Party Transactions

(1) Related Party Name and Categories

Related Party Name	Related Party Categories
Sinolink Global Limited (Sinolink)	Subsidiary
Optoma Corporation (“Optoma”)	Subsidiary
Young Optics Inc. (“TYO”)	Subsidiary
Young Green Energy Co. (“YGE”)	Subsidiary
Young Lighting Technology Inc. (“YLT”)	Subsidiary
Coretronic Intelligent Cloud Service Corporation (“CICS”)	Subsidiary
uCare Medical Electronics Co., Ltd. (“UCM”)	Subsidiary
Champ Vision Display Inc. (“CVD”)	Subsidiary
Caliber UK Ltd (“CAL”)	Subsidiary
InnoSpectra Corporation (“ISC”)	Subsidiary
Coretronic Intelligent Robotics Corporation (“CIRC”)	Subsidiary

(Continued)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(To be Continued)

Related Party Name	Related Party Categories
Aptek Optical Corp. (“Aptek”)	Associate
Bigshine International Limited(Bigshine)	Associate
Bigshine International Hong Kong Limited. (Bigshine(HK))	Associate
Elite View Hong Kong Limited (Elite View (HK))	Associate
Investdragon Hong Kong Limited.(Investdragon(HK))	Associate
Great Pride Inc.(Great Pride)	Associate
Greendale Investments Limited (Greendale)	Associate
Lead Bright Hong Kong Limited (Lead Bright (HK))	Associate
Optoma Technology, Inc. (Optoma USA)	Associate
Optoma Europe Limited (Optoma Europe)	Associate
Optoma (China&HK) Limited (Optoma China&HK)	Associate
Venture Orient Limited(Venture)	Associate
Wisdom Success Hong Kong Limited (Wisdom Success (HK))	Associate
Coretronic Projection (Kunshan) Co., Ltd (“CPC”)	Associate
Vimax (Kunshan) Co., Ltd.(“Vimax”)	Associate
Technology Service (Kunshan) Co., Ltd. (“TSC”)	Associate
Nano Precision (Suzhou) Co., Ltd. (“NPS”)	Associate
YLG Optotech Limited (“YLO”)	Associate
Coretronic (Guangzhou) Co., Ltd. (“GZB”)	Associate
Optoma China Co.,Ltd. (Optoma China)	Associate
Coretronic (Ningbo) Co., Ltd. (“NBB”)	Associate
Coretronic (Suzhou) Co., Ltd (“SZB”)	Associate
Coretronic Optotech (Suzhou) Co., Ltd. (“SZT”)	Associate
Coretronic Display (Suzhou) Co., Ltd. (“SZW”)	Associate
All directors, general managers, deputy general managers and accounting supervisors	Key management personnel

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(2) Significant transactions with related parties

A. Sales

	Years ended December 31,	
	2018	2017
Optoma	\$5,581,094	\$4,935,127
Other Subsidiaries	366,259	512,645
Total	\$5,947,353	\$5,447,772

The Company purchases materials on related parties' behalf of in 2018 and 2017. Since the Company has no substantially all risks and rewards of ownership of the purchased materials, only gross profit was recognized as operating revenue for this transaction.

The sales price to third party was determined through market positioning of brands, sales channels and sales strategies of the Company and the pricing method is different from related parties. The collection period for sales to related party were month-end 60 to 120 days, while the collection period for third parties besides advance payment was month-end 30 to 150 days.

The receivables-related parties were not pledged, bearing no interest and were paid in cash. The receivables-related parties also were not guaranteed.

B. Purchases

	Years ended December 31,	
	2018	2017
Subsidiaries	\$106,396	\$101,198

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.

CORETRONIC CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

C. Accounts Receivable from Related Parties

	December 31,	
	2018	2017
Optoma	\$2,252,735	\$2,110,170
Other Subsidiaries	85,440	114,006
Total	\$2,338,175	\$2,224,176

D. Other Accounts Receivable from Related Parties

	December 31,	
	2018	2017
Nano Precision (Suzhou)	\$28,896	\$44,571
Wisdom Success (HK)	28,210	17,242
Young Lighting Technology	-	13,172
Other Subsidiaries	52,966	27,437
Total	\$110,072	\$102,422

E. Accounts Payable to Related Parties

	December 31,	
	2018	2017
Coretronic (Suzhou)	\$1,325,123	\$1,234,064
Greendale	1,099,679	419,619
Coretronic Optotech (Suzhou)	(Note)	248,688
Other Subsidiaries	883,100	11,031
Total	\$3,307,902	\$1,913,402

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

F. Other Accounts Payable to Related Parties (Exclude borrowing from related parties)

	December 31,	
	2018	2017
Subsidiaries	\$76,708	\$42,540

G. Borrowing from related parties

	December 31,	
	2018	2017
Greendale	\$451,818	\$-
Other Subsidiaries	537,512	-
Total	\$989,330	\$-

H. Others

Maintenance and processing fees paid from the Company to subsidiaries amounted NT\$ 89,839 thousand and NT\$ 46,850 thousand for the year ended December 31, 2018 and 2017, respectively.

Rent and other revenue arise from subsidiaries leasing buildings from the Company and the Company provided management services to subsidiaries amounted to NT\$85,087 thousand and NT\$67,293 thousand for the year ended December 31, 2018 and 2017, respectively.

The amount of the Company purchased products from its subsidiaries for the year ended December 31, 2018 and 2017 was NT\$15,280,901 thousand and NT\$14,505,611 thousand, respectively. Some manufacturing materials required by subsidiaries was purchased by the Company on behalf of the subsidiaries amounted NT\$18,283,236 thousand and NT\$21,601,067 thousand for the year ended December 31, 2018 and 2017, respectively.

The consideration payments of the Company selling property, plant and equipment, molds and computer software to its subsidiaries was NT\$453 thousand and NT\$ 2,485 thousand for the year ended December 31, 2018 and 2017, respectively, and gain on disposal of property, plant and equipment, molds computer software was both NT\$0 thousand for the year ended December 31, 2018 and 2017. The consideration payment of the subsidiaries selling molds and property, plant and equipment to the Company was NT\$15,998 thousand and NT\$3,183 thousand for the year ended December 31, 2018 and 2017, respectively.

CORETRONIC CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

I. Key Management Personnel Compensation

	Years ended December 31,	
	2018	2017
Short-term employee benefits	\$143,027	\$130,603
Post-employment benefits	1,715	1,524
Total	\$144,742	\$132,127

Note : There have been no disclosure resulting from the transaction amounts between the Company and the subsidiaries in both years do not exceed 10% of total transaction.

8. Assets Pledged As Collateral

The following assets of the Company pledged as collateral:

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31, 2018	December 31, 2017	
Time deposits (shown as "Other receivables")	\$22,511	\$24,166	Lease execution deposits
Time deposits (shown as "Other receivables")	1,472	1,438	Subsidy performance guarantee
Time deposits (shown as "Other receivables")	2,050	2,051	Customs import guarantee
Total	\$26,033	\$27,655	

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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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 1)	\$23,097
Mandatorily measured at fair value through profit or loss	69,254	(Note 1)
Financial assets at fair value through other comprehensive income	760	(Note 1)
Available-for-sale financial assets (including financial assets measured at cost)	(Note 1)	18,187
Financial assets measured at amortized cost (Note 2)	10,630,264	(Note 1)
Loans and receivables (Note 2)	(Note 1)	7,930,319
Hedging financial assets	1,487	95,167
Total	\$10,701,765	\$8,066,770

Financial liabilities

	December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term borrowings	\$5,473,413	\$5,894,080
Accounts payables (including related parties)	5,711,967	4,933,255
Other payables (including related parties)	2,988,443	1,601,579
Subtotal	14,173,823	12,428,914
Financial liabilities at fair value through profit or loss:		
Held for trading	(Note 1)	31,774
Mandatorily measured at fair value through profit or loss-current	12,658	(Note 1)
Hedging derivative financial liabilities-current	2,402	119,411
Total	\$14,188,883	\$12,580,099

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Note :

(1) The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(2) Including cash and cash equivalents (exclude cash on hand), note receivables, trade receivables, and other receivables.

(2) Financial Risk Management Objectives and Policies

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

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

The Company 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 Company.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company'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:

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\$27,271 thousand and NT\$12,049 thousand, while equity is decreased/increased by NT\$207,800 thousand and NT\$196,659 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company'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\$54,734 thousand and NT\$58,941 thousand, respectively.

Equity price risk

The Company 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 Company's senior management on a regular basis. The Company'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 Company.

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 other comprehensive income could have an impact of NT\$8 thousand on the equity attributable to the Company.

The Company has no available for sale equity instrument of listed company as of December 31, 2017.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(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 Company 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.

Customer credit risk is managed by each business unit subject to the Company'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 Company'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 91% and 92% of the total trade receivables of the Company, 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 Company's treasury in accordance with the Company's policy. The Company 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 Company'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 Company'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.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
As of December 31, 2018					
Borrowings	\$5,483,963	\$-	\$-	\$-	\$5,483,963
Accounts payables (including related parties)	5,711,967	-	-	-	5,711,967
Other payables (including related parties)	2,988,443	-	-	-	2,988,443
As of December 31, 2017					
Borrowings	\$5,898,659	\$-	\$-	\$-	\$5,898,659
Accounts payables (including related parties)	4,933,255	-	-	-	4,933,255
Other payables (including related parties)	1,601,579	-	-	-	1,601,579

Derivative Financial liabilities

	Less than 1 year	1 to 3 years	Total
As of December 31, 2018			
Inflows	\$-	\$-	\$-
Outflows	15,060	-	15,060
Net	\$15,060	\$-	\$15,060
As of December 31, 2017			
Inflows	\$-	\$-	\$-
Outflows	151,185	-	151,185
Net	\$151,185	\$-	\$151,185

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(6) Reconciliation of liabilities arising from financing activities:

Reconciliation of liabilities as of December 31, 2018:

	Short-term borrowings	Other payables -related parties	Guarantee deposits received	Other liabilities- noncurrent (Note)	Total liabilities from financing activities
As of January 1, 2018	\$5,894,080	\$-	\$185	\$21,659	\$5,915,924
Cash flows	(420,667)	989,330	611	(663)	568,611
As of December 31, 2018	<u>\$5,473,413</u>	<u>\$989,330</u>	<u>\$796</u>	<u>\$20,996</u>	<u>\$6,484,535</u>

Note: The amount of other liabilities-noncurrent does not include credit balance reclassified from investments accounted for using the equity method.

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 Company to measure or disclose the fair values of financial assets and financial liabilities:

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(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 Company'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 Company.

(8) Derivative Instruments

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

Forward currency contracts

The Company entered into forward 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 contracts:

Item (by contract)	Notional Amount	Contract Period
As of December 31, 2018		
Forward currency contract		
Selling forward currency contracts	USD 250,000 thousand	From January 2019 to February 2019
Buying forward currency contracts	USD 343,500 thousand	From January 2019 to April 2019
As of December 31, 2017		
Forward currency contract		
Selling forward currency contracts	USD 89,000 thousand	January 2018
Buying forward currency contracts	USD 124,000 thousand	From January 2018 to March 2018

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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 Company entered into forward currency contracts to manage its exposure to financial risk, but these contracts are designated as hedging instruments. The table below lists the information related to forward currency contracts:

Item (by contract)	Notional Amount		Contract Period
As of 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
As of December 31, 2017			
Forward currency contract			
Selling forward currency contracts	USD	258,000 thousand	From January 2018 to July 2018
Buying forward currency contracts	USD	258,000 thousand	From January 2018 to July 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 Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company'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	\$-	\$49,189	\$-	\$49,189
Stock	-	-	20,065	20,065
Hedging financial assets-current	-	1,487	-	1,487
Equity instrument measured at fair value through other comprehensive income	-	-	760	760
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	-	12,658	-	12,658
Hedging financial liabilities-current	-	2,402	-	2,402

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

	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	\$-	\$23,097	\$-	\$23,097
Hedging derivative financial assets-current				
current	-	95,167	-	95,167
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss-current				
Forward currency contract	-	31,774	-	31,774
Hedging derivative financial liabilities-current				
liabilities-current	-	119,411	-	119,411

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:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

	Assets		Total
	At fair value through profit or loss	At fair value through other comprehensive income	
	Stock	Stock	
As of January 1, 2018:	\$21,001	\$3,013	\$24,014
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)	-	(2,237)	(2,237)
Tax effect	-	(16)	(16)
As of December 31, 2018	\$20,065	\$760	\$20,825

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:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

As of 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.

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

The Company'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 Company's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed: None

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(10) Significant Assets and Liabilities Denominated in Foreign Currencies

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

	December 31, 2018		
	Foreign currencies	Exchange rate	NTD thousand
<u>Financial assets</u>			
Monetary item:			
USD	\$412,715	30.715	\$12,676,534
JPY	1,349	0.2782	375
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$501,501	30.715	\$15,403,615
GBP	540	38.88	20,995
JPY	1,504	0.2782	415
<u>Investments Accounted for Using Equity Method:</u>			
USD	\$643,429	30.715	\$19,762,910
GBP	(293)	38.88	(11,397)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

(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	\$500,467	29.76	\$14,893,902
GBP	150	40.11	6,017
JPY	4,149	0.2642	1,096
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$540,955	29.76	\$16,098,823
GBP	541	40.11	21,693
<u>Investments Accounted for Using Equity Method:</u>			
USD	\$636,786	29.76	\$18,950,766
GBP	566	40.11	22,695

The Company'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\$(169,341) thousand and NT\$153,791 thousand for years ended December 31, 2018 and 2017, respectively.

(11) Capital Management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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.
- 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. Financial instruments and derivative transactions: Please refer to Note 6(3), Note 12(1), Note 12(8) and Attachment 7.

(2) Information on investees

- A. Relevant information on investees when the investees have significant influence or direct or indirect control. Please refer to Attachments 5, 5-1, 5-2, and 5-3.
- 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 8.
- C. Financial instruments and derivative transactions: Please refer to Attachment 7.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(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 6, 6-1 and 6-2.
- B. Directly or indirectly significant transactions with the investees in Mainland China, please refer to Attachment 6.

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.	Endorsor/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of Endorsement/ Guarantee collateralized by properties	Percentage of accumulated guarantee amount to net worth from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Company Name	Relationship										
0	Coretronic Corporation	Champ Vision Display	Subsidiary	\$ 10,720,951 (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 31, 2018)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsor/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of Endorsement/Guarantee collateralized by properties	Percentage of accumulated guarantee amount to net worth from the latest financial statement	Limit of total guarantee/endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Company Name	Relationship										
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 (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	Sinolink 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 expansion	300,000	300,000	30,000,000	100.00%	301,529	2,292	2,292	Subsidiary
Coretronic Corporation	Champ 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 dissolved and merged into Coretronic Corporation in October 2018.

ATTACHMENT 5-1 (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 5-2 (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 5,550,000	USD 5,550,000	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 5-3 (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 6 (Investment in Mainland China as of December 31, 2018)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Main business activities	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of 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 (Mai 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	USD10,000,000	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 (Investdragon HK)	96,263 (USD3,000,000)	-	-	96,263 (USD3,000,000)	4,595	100.00%	4,595	-	-
Coretronic Display (Suzhou)	Research and development, manufacturing panel modules and related components of the business, sales of the company's own products and 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 (Coretronic System Engineering HK)	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 6-1 (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.

ATTACHMENT 6-2 (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 Chian promulgated by Investment Commission, MOEA.

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

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

ATTACHMENT 7 (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 8 (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.



Coretronic Corporation

Chairman : Wade Chang